

Financial statements and independent auditor's report

Maxima Microfinance Plc

31 December 2019

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គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ **ម៉ាកស៊ីម៉ា ភីអិលស៊ី**
MAXIMA Microfinance Plc.

Report of the Board of Directors

The Board of Directors submits its report together with the audited financial statements of Maxima Microfinance Plc ("the Company") as at and for the year ended 31 December 2019 ("the year").

The Company

Maxima Microfinance Plc, originally known as Maxima organisation for Household Economic Development, was incorporated in Cambodia and registered with the Ministry of Commerce on 27 July 2005 under registration number 00005996 (previously Co.7897E/2005). On 10 August 2005, the Company obtained license no. 013 from the National Bank of Cambodia ("NBC") to provide micro-finance services to the economically active poor population of Cambodia. On 22 February 2012, the NBC granted a permanent license no. M.F 013 to the Company who also amended its name to Maxima Mikroheranhvotho Plc. On 22 July 2015, the NBC approved the amendment of the new name of the Company as Maxima Microfinance Plc.

The registered office of the Company is located at House No. 21AB, Street 271, Songkat Phsar Doeum Thkov, Khan Chamkomorn, Phnom Penh, Kingdom of Cambodia. The Company's provincial branches are located in Kandal, Kampong Speu and Takeo provinces.

As at 31 December 2019, the Company had 171 employees (2018: 173 employees).

Principal activities

The Company is principally engaged in the provision of micro-finance services. Those services comprise granting credit for poor and low-income households and small enterprise operating in the Kingdom of Cambodia.

There have been no significant changes in the nature of these principal activities during the financial year.

Results and dividends

The results of the Company's operations for the year ended 31 December 2019 and the state of its affairs as at that date are set out in the accompanying financial statements.

The Board of Directors had declared and paid dividends amounting to USD74,551 in respect of the Company's net profit for the year ended 31 December 2019 (2018: the Company declared and paid dividends amounting to USD99,819 in respect of the Company's net profit for the year ended 31 December 2017).

Board of Directors

The members of the Board of Directors of the Company during the year and to the date of this report are as follows:

Name	Position	Date of appointment
Mr. An Bunhak	Chairman	8 March 2000
Mr. Chet Chanprasoeur	Member	In December 2000
Mr. Taejun Shin	Member	30 March 2015
Mr. Sanjay Gandhi	Member	30 March 2015
Mr. Ao Veng	Independent board member	10 October 2013
Mr. Yean Rithy	Independent board member	10 April 2012
Ms. Praachi Gandhi	Member	19 April 2019
Mr. Pa Ponnak Rithy	Member	19 April 2019

Management team

The management team of the Company during the year and to the date of this report are as follows:

Name	Position	Date of appointment
Mr. Pa Ponnak Rithy	Chief Executive Officer	8 March 2000
Ms. Sreng Sivechheng	Chief Financial Officer	8 March 2000
Mr. Suon Sophea	Chief Operating Officer	1 October 2018 (Resigned)
Mr. Ngory Sorn	Head of Credit Department	27 April 2015
Mr. Khean Darith	Head of IT Department	1 December 2009
Mrs. Wong Somaly	Head of Internal Audit Department	22 January 2018
Ms. Touch Pisey	Head of Finance Department	4 June 2018
Mr. Khiev Sengdy	Head of Marketing Department	5 June 2006
Ms. Sim Soupheakna	Head of Human Resource Department	1 October 2015
Ms. Lay Sineath	Head of Administrative Department	1 December 2001
Mr. Seng Phanith	Head of Risk and Compliance	13 August 2018 (Resigned)
Mr. Sok Kosal	Project Manager	1 November 2010
Mr. Sovann Chanda	Head of Compliance Department	2 September 2019

Directors' interests

The Directors who held office at the end of financial year and their interests in the shares of the Company are as follows:

	31 December 2019		31 December 2018	
	Holding %	Number of shares of USD10 each	Holding %	Number of shares of USD10 each
Mr. An Bunhak	19.63%	100,000	19.63%	100,000
Mr. Chet Chanprasoeur	1.08%	5,500	1.08%	5,500

Directors' benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the objective of enabling directors of the Company to acquire benefits by means of the acquisition of shares in the Company.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company other than as disclosed in the financial statements.

Auditors

The Company's financial statements as at and for the year ended 31 December 2019 were audited by Grant Thornton (Cambodia) Limited.

Board of Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ensuring that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and cash flows for the year then ended. In preparing these financial statements, the directors are required to:

- i. adopt appropriate accounting policies in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs"), which are supported by reasonable and prudent judgements and estimates, and then apply them consistently,
- ii. comply with the disclosure requirements of the CIFRS for SMEs or, if there has been any departure from such requirements in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements,
- iii. maintain adequate accounting records and an effective system of internal controls,
- iv. prepare the financial statements on a going-concern basis unless it is inappropriate to assume that the Company will continue its operations in the foreseeable future, and
- v. effectively control and direct the Company in all material decisions affecting its operations and performance, and ensure that such have been properly reflected in the financial statements.

The Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that the Company has complied with the above requirements in preparing the financial statements.

Statement by the Board of Directors

In the opinion of the Board of Directors, the accompanying statements of financial position, comprehensive income, changes in equity and cash flows, together with the notes thereto, have been properly drawn up and present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with CIFRS for SMEs.

On behalf of the Board of Directors and Management



An Bunhak
Chairman

Phnom Penh, Kingdom of Cambodia
13 May 2020



Independent auditor's report

Grant Thornton (Cambodia) Limited
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To the shareholders of Maxima Microfinance Plc.

Opinion

We have audited the financial statements of Maxima Microfinance Plc ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Maxima Microfinance Plc as at 31 December 2019, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRSs for SMEs").

Basis for opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 April 2019.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Report of the Board of Directors but does not include the financial statements and our auditor's report thereon, which we have obtained prior to the date of this auditor's report, and the annual report which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information prepared by Management and we do not and will not express any form of assurance conclusion thereon.

Certified Public Accountants and Auditors

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In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors and respond to those matters in accordance with the requirements of CISA 720 (revised).

Responsibilities of the Management for the financial statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with CIFRS for SMEs, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management

Certified Public Accountants and Auditors

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- Conclude on the appropriateness of the management' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Grant Thornton

GRANT THORNTON (CAMBODIA) LIMITED
Certified Public Accountants
Registered Auditors

Ronald C. Almera
Ronald C. Almera
Partner - Audit and assurance

Phnom Penh, Kingdom of Cambodia
13 May 2020

Statement of financial position

		31 December 2019		31 December 2018	
	Note	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2) Restated
Assets					
Cash on hand	5	28,896	117,751	30,372	122,035
Balance with the NBC	6	1,175,369	4,789,629	256,304	1,029,829
Balances with other banks	7	1,227,878	5,003,603	1,370,252	5,505,673
Loans to customers - net	9	21,393,825	87,179,837	18,325,175	73,630,553
Equity investment	10	10,000	40,750	10,000	40,180
Other assets	11	122,054	497,370	265,317	1,066,044
Property and equipment	12	93,107	379,411	93,410	375,321
Intangible assets	13	32,910	134,108	21,450	86,186
Deferred tax assets		34,564	140,848	34,564	138,878
Total assets		24,118,603	98,283,307	20,406,844	81,994,699
Equity and liabilities					
Equity					
Share capital	14	5,095,290	20,763,307	5,095,290	20,472,875
Share premium	15	1,538,174	6,268,059	1,538,174	6,180,383
Reserves		133,424	543,703	113,805	457,268
Regulatory reserves	16	186,061	758,199	157,835	634,181
Retained earnings		1,702,488	6,937,639	1,313,320	5,276,920
Total equity		8,655,437	35,270,907	8,218,424	33,021,627
Liabilities					
Amounts due to shareholders	17	6,920,025	28,199,102	5,057,351	20,320,436
Borrowings	18	7,795,367	31,766,121	6,706,933	26,948,457
Employee benefits obligation	19	52,499	213,933	58,079	233,361
Other liabilities	20	615,668	2,508,845	273,229	1,097,835
Current income tax liability	28.2	79,607	324,399	92,828	372,983
Total liabilities		15,463,166	63,012,400	12,188,420	48,973,072
Total equity and liabilities		24,118,603	98,283,307	20,406,844	81,994,699

Statement of comprehensive income

	Note	For the year ended 31 December 2019		For the year ended 31 December 2018	
		USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2) Restated
Interest income	21	3,671,472	14,876,805	3,224,411	12,955,683
Interest expense	22	(1,189,561)	(4,820,101)	(925,158)	(3,717,285)
Net interest income		2,481,911	10,056,704	2,299,253	9,238,398
Fee and commission income	23	111,092	450,145	17,487	70,263
Fee and commission expense		-	-	(5,813)	(23,357)
Net fee and commission income		111,092	450,145	11,674	46,906
Other income	24	210,834	854,299	146,303	587,845
Total operating income		2,803,837	11,361,148	2,457,230	9,873,149
Personnel expenses	25	(1,285,738)	(5,209,810)	(1,066,608)	(4,285,631)
Operating expenses	26	(774,791)	(3,139,453)	(679,884)	(2,731,774)
Depreciation and amortization		(20,423)	(82,754)	(61,609)	(247,545)
Allowance for credit facilities	27	(21,423)	(86,806)	(106,540)	(428,078)
Profit before income tax		701,462	2,842,325	542,589	2,180,121
Income tax expense	28.1	(186,313)	(754,940)	(156,355)	(628,234)
Net profit for the year		515,149	2,087,385	386,234	1,551,887
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		515,149	2,087,385	386,234	1,551,887

Statement of changes in equity

	Share capital USD	Share premium USD	Retained earnings USD	Reserves USD	Regulatory reserve USD	Total equity USD
Balance at 1 January 2019	5,095,290	1,538,174	1,313,320	113,805	157,835	8,218,424
Profit for the year	-	-	515,149	-	-	515,149
Dividends paid	-	-	(74,551)	-	-	(74,551)
Transfer to reserves	-	-	(19,619)	19,619	-	-
Transfer to regulatory reserve	-	-	(28,226)	-	28,226	-
Net effect of prior year adjustment	-	-	(3,585)	-	-	(3,585)
Balance as at 31 December 2019	5,095,290	1,538,174	1,702,488	133,424	186,061	8,655,437
Balance as at 31 December 2019 (KHR'000) (Note 3.2)	20,763,307	6,268,059	6,937,639	543,703	758,199	35,270,907

	Share capital USD	Share premium USD	Retained earnings USD	Reserves USD	Regulatory reserve USD	Total equity USD
Balance at 1 January 2018 (Restated)	5,095,290	1,538,174	1,055,514	87,537	166,178	7,942,693
Profit for the year	-	-	386,234	-	-	386,234
Dividends paid	-	-	(99,819)	-	-	(99,819)
Transfer to reserves	-	-	(26,268)	26,268	-	-
Transfer to regulatory reserve	-	-	8,343	-	(8,343)	-
Net effect of prior year's adjustment	-	-	(10,684)	-	-	(10,684)
Balance as at 31 December 2018	5,095,290	1,538,174	1,313,320	113,805	157,835	8,218,424
Balance as at 31 December 2018 (KHR'000) (Note 3.2)	20,472,875	6,180,383	5,276,920	457,268	634,181	33,021,627

Statement of cash flows

	Note	For the year ended 31 December 2019		For the year ended 31 December 2018	
		USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2) Restated
Operating activities					
Net profit before tax		701,462	2,858,325	542,589	2,180,121
Adjustments for:					
Net effects of prior year adjustments and others		(192,482)	(784,364)	(144,992)	(582,578)
Depreciation of property and equipment and net effect of change in accounting estimate	12	31,883	129,923	40,159	161,359
Amortization of intangible assets and net effect of change in accounting estimate	13	(11,460)	(46,700)	21,450	86,186
Loss on disposal of property and equipment		549	2,237	-	-
Increase/(decrease) in allowance for bad and doubtful loans	9	(165,222)	(673,280)	113,912	457,698
(Decrease)/increase in employee benefits obligation		(5,580)	(22,739)	58,079	233,361
Finance cost		922	3,757	4,025	16,172
Income tax expense	28.1	186,313	759,225	132,288	531,533
Operating profit before changes in working capital		546,385	2,210,384	767,510	3,083,852
Net working capital changes:					
Change in loans to customers - gross	9	(2,903,428)	(11,831,469)	(3,389,658)	(13,619,646)
Change in other assets		143,263	583,797	(670)	(2,692)
Change in other liabilities		342,440	1,395,443	70,138	281,814
Cash flows used in operating activities		(1,871,889)	(7,644,082)	(2,552,680)	(10,256,672)
Income tax paid	28.2	(199,534)	(813,101)	(204,304)	(820,893)
Net cash used in operating activities		(2,070,874)	(8,454,946)	(2,756,984)	(11,077,565)
Investing activities					
Acquisitions of property and equipment	12	(32,129)	(130,926)	(79,727)	(320,342)
Acquisitions of intangible assets	13	-	-	(42,900)	(172,372)
Net cash used in investing activities		(32,129)	(130,926)	(122,627)	(492,714)
Financing activities					
Dividends paid		(74,551)	(303,795)	(99,819)	(401,073)
Drawdown of borrowings		8,105,545	33,030,096	9,195,111	36,945,956
Repayments of borrowings		(5,155,360)	(21,008,092)	(5,771,959)	(23,191,731)
Provident fund paid		-	-	(127,666)	(512,962)
Net cash from financing activities		2,875,634	11,718,209	3,195,667	12,840,190
Net change in cash and cash equivalents		772,631	3,148,471	316,054	1,269,912
Cash and cash equivalents, beginning of year		1,398,297	5,618,357	1,082,243	4,369,015
Exchange rate difference		-	79,704	-	(20,570)
Cash and cash equivalents, end of year	8	2,170,928	8,846,532	1,398,297	5,618,357

Notes to the financial statements

1 General information

Maxima Microfinance Plc, originally known as Maxima organisation for Household Economic Development, was incorporated in Cambodia and registered with the Ministry of Commerce on 27 July 2005 under registration number 00005996 (previously Co.7897E/2005). On 10 August 2005, the Company obtained license no. 013 from the National Bank of Cambodia ("NBC") to provide micro-finance services to the economically active poor population of Cambodia. On 22 February 2012, the NBC granted permanent license no. M.F 013 to the Company who also changed to its name to Maxima Mikroheranhvatho Plc. On 22 July 2015, the NBC approved the amendment of the new name of the Company as Maxima Microfinance Plc.

The Company is principally engaged in the provision of micro-finance services. Those services comprise granting credit for poor and low-income households and small enterprise operating in the Kingdom of Cambodia.

The Company's registered office is located at House No. 21AB, Street 271, Sangkat Phsar Doeum Thkov, Khan Chamkamorn, Phnom Penh. The Company's provincial branches are located in Kandal, Kampong Speu and Takeo provinces.

2 Statement of compliance with CIFRS for SMEs

The financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRSs for SMEs"), which have been adopted by the Ministry of Economy and Finance, under Prakas No. 068BK MEF dated 8 January 2009, and the National Accounting Council, under Announcement No. 097/09 MEF dated 28 August 2009. The financial statements are presented in US dollars ("USD"), which is also the functional currency of the Company.

The financial statements as at and for the year ended 31 December 2018 were prepared in accordance with Cambodian Accounting Standards ("CAS"). The statement of financial position at 1 January 2018 and the statement of comprehensive income for the year ended 31 December 2018 have been restated in accordance with the transition procedures set out in the CIFRS for SMEs. A description of the nature of each change in accounting policy and reconciliations are set out in note 34.

3 Summary of significant accounting policies

3.1 Overall considerations and first-time adoption of CIFRS for SMEs

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These accounting policies have been used throughout all periods presented in these financial statements, unless otherwise stated.

3.2 Functional and presentation currency

The national currency of Cambodia is the Khmer Riel ("KHR"). However, as the Company transacts its business and maintains its accounting records primarily in USD, Management has determined the USD to be the Company's currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Company.

Transactions in foreign currencies, other than USD, are translated to USD at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than USD at the reporting date are translated into USD at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the statement of comprehensive income.

The translations of USD amounts into KHR as presented in the financial statements are included solely to comply with the Law on Accounting and Auditing (April 2016) and been made using the following applicable exchange rate per USD1 as announced by the General Department of Taxation:

	2019	2018
Average rate	4,052	4,018
Closing rate	4,075	4,018

The financial statements expressed in KHR are unaudited and should not be construed as representations that the USD amounts have been, could have been, or could in the future be, converted into KHR at this or any other exchange rate.

3.3 Basis of aggregation

The financial statements include the financial statements of the head office and its fifteen branches after the elimination of significant inter-branch balances and transactions.

3.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call where the Company has full ability to withdraw for general purpose whenever needed.

3.5 Balances with the National Bank of Cambodia and banks

Balances with the National Bank of Cambodia and banks are stated at cost.

3.6 Statutory deposit

Statutory deposit is stated at cost and represents mandatory reserve deposits and cash maintained with the NBC in compliance with the Law on Banking and Financial Institutions and are not available to finance the Company's day-to-day operations. Hence, it is not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

3.7 Loans to customers

Loans to customers are recognized initially at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method less provision for impairment.

Loans are written off to the statement of comprehensive income when the loans are provisioned in full and remain unpaid after maturity date or when the certainty of being uncollectable is proven. Loans written off are taken out of the outstanding loan portfolio and deducted from the allowance for bad and doubtful loans.

Recoveries of loans previously written off are recorded as other operating income in the statement of comprehensive income. Reversal of previous allowance is presented in allowance expense in the statement of comprehensive income.

3.8 Other assets

Other assets are carried at cost. An estimate is made for doubtful receivables based on a review of outstanding amounts at the reporting date.

3.9 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of an asset.

Subsequent costs are included in an assets' carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Company is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately. After initial recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property and equipment is charged to the statement of comprehensive income on a straight-line method, over the useful lives of the individual assets as follows:

	Useful life
Leasehold improvements	2 to 10 years
Office equipment	4 years
Computer and IT equipment	4 years
Furniture and fixtures	4 years
Motor vehicles	4 years

The residual value, useful lives and depreciation methods of assets are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

The carrying amount of an asset is written-down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Fully depreciated items of property and equipment are retained in the financial statements until it is disposed of or written off.

3.10 Intangible assets

Intangible assets consist of computer software license and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Acquired computer software license is capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. Intangible assets are amortised on a straight-line basis over 5 years. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

3.11 Borrowings

Borrowings are recognised initially at the transaction price and subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method.

3.12 Other liabilities

Other liabilities are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

3.13 Employee benefit obligation

Past seniority payment

Prakas No. 443, issued on 21 September 2018 by the Minister of Labour and Vocational Training ("MoLVT"), requires the Company to pay past seniority indemnity to employees with undetermined duration contract. All employees who have been working before 1 January 2019 and continue to work are entitled to a payment of fifteen days of their average wages of each year of service, totalling but not exceeding six months, and shall be paid every year starting 2019 as follows.

- 7.5 days shall be made in June; and
- 7.5 days shall be made in December of each year.

The past seniority indemnity is recognised in full during the year 2018 and future seniority indemnity (amounting to 15 days per annum) to employees are recognised during the employees' periods of service.

On 22 March 2019, MoLVT issued Directive no.042/19 on the Back Pay of Seniority Payment before 2019 for the Enterprise and Institution aside from the Textile, Garment and Footwear sectors, postponing the payment of back pay seniority indemnity until December 2021 and changing the payment of their average wages of each year of service from 15 days to 6 days as follows:

- 3 days shall be made in June; and
- 3 days shall be made in December of each year.

For employees with determined duration contract, they are entitled to the severance pay at least 5% of their wages paid during the length of the contract.

Employee are not entitled to the remaining past seniority payment upon resignation.

Short-term employee benefits

Wages, salaries, National Social Security Fund contributions, paid annual leave, paid sick leave, bonuses, severance pay and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Company.

Short term accumulating compensated absences such as paid annual leave are recognized as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognized when the absence occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Company.

Bonuses are recognized as an expense when there is present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

3.14 Equity, reserves, dividend payment and retained earnings

Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on issue of share capital.

Based on the Memorandum and Articles of Association, the Company shall transfer 5% of its net profit, if any, to the reserve fund. The transfer to this reserve fund shall cease when the reserve fund is equal to 10% of the Company's registered capital.

Dividends declared and approved by the Company's shareholders before the end of reporting date are recognised as a liability and accounted for as a deduction from the retained earnings in the financial statements. Dividends declared and approved by the Company's shareholders after the reporting date are not recognised as a liability but disclosed as the subsequent events in the note to the financial statements.

Retained earnings includes all current and prior period retained profits includes all current and prior period retained profits and losses.

Regulatory provision

Credit classification and provisioning for financial institutions in accordance with Prakas No. 7-017-344, dated 1 December 2017 as issued by the NBC provides guidance on credit classification and regulatory provisioning for financial institutions in Cambodia, as summarised below:

Classification	Number of days past due	Provision
Long term loans (more than one year)		
Standard	0 – 29 days	1%
Special mention	30 – 89 days	3%
Substandard	90 – 179 days	20%
Doubtful	180 – 359 days	50%
Loss	Over 359 days	100%
Short term loans (less than one year)		
Normal	0 – 14 days	1%
Special mention	15 – 30 days	3%
Substandard	31 – 60 days	20%
Doubtful	61 – 90 days	50%
Loss	Over 90 days	100%

Article 73 of Prakas on Credit Risk Grading and Impairment Provisioning requires banks to compare the provision calculated in accordance with CIFRSs and Prakas No 7-017-344 and, accordingly:

1. In case the regulatory provision calculated in accordance with the said Prakas is lower than the calculation in accordance with CIFRS for SMEs, the bank shall record the provision calculated in accordance with CIFRS for SMEs.
2. In case the regulatory provision calculated in accordance with the said Prakas is higher than the calculation in accordance with CIFRS for SMEs, the bank shall record the provision calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings or accumulated loss account into regulatory reserve in the equity section of the statement or financial position.

3.15 Interest income and expense

Interest income is recognised on an accrual basis. Interest expense is recognised on accrual basis using the effective interest method.

Interest income and expense presented in the statement of comprehensive income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

3.16 Loan processing fee income

Loan processing fee income are recognised as income over the term of the loan to customer.

Unamortised loan fees are recognized as "unearned income", under other liabilities.

3.17 Operating expenses

Operating expenses are recognised in the statement of comprehensive income in the period in which they are incurred.

3.18 Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lesser) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

3.19 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to or claims from fiscal authorities relating to current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements.

Deferred income tax is calculated on temporary differences between the carrying amounts of assets and liabilities and their tax bases that are expected to increase or reduce taxable profit in the future and on unused tax losses and unused tax credits.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization provided that they are enacted or substantively enacted at the reporting date, taking into consideration all possible outcomes of a review by the tax authorities.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted as necessary to reflect the current assessment of future taxable profit.

3.20 Related parties

A related party is a person or entity that is related to the Company. A related party transaction is a transfer of resources, services or obligations between the Company and its related party, regardless of whether a price is charged.

- a. A person or a close member of that person's family is related to the Company if that person:
 - i. Has control or joint control over the Company;
 - ii. Has significant influence over the Company; or
 - iii. Is a member of the key management personnel of the ultimate holding company of the Company, or the Company
- b. An entity is related to the Company if any of the following conditions applies:
 - i. The entity and the Company are members of the same group.
 - ii. One entity is an associate or joint venture of the other entity.
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefits of employees of either the Company or an entity related to the Company.
 - vi. The entity is controlled or jointly-controlled by a person identified in (a) above.
 - vii. A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the ultimate holding company or the entity.
 - viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

3.21 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit ("CGU") to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.22 Financial instruments

Financial assets

Loans to customers and cash and cash equivalents

These financial assets are recognised initially at the transaction price.

Subsequently they are measured at amortised cost using the effective interest method, less provision for impairment.

Where there is objective evidence that the carrying amounts of receivables are not recoverable, an impairment loss is recognised in profit or loss.

Financial liabilities

The Company's financial liabilities include amount due to shareholders, borrowings and other liabilities. Financial liabilities are recognised initially at transaction price. After initial recognition, they are measured at amortised cost using the effective interest method. Other liabilities is on normal credit terms and do not bear interest.

4 Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful life of depreciable assets

The Company reviews its estimate of the useful life of depreciable assets at each reporting date, based on the expected utility of the assets.

Impairment

In assessing impairment, the Company estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Taxes

Taxes are calculated on the basis of current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax expenses will be made following assessment by the General Department of Taxation.

The directors are not aware of any critical judgments in relation to the amounts in the financial statements.

5 Cash on hand

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
US Dollars	22,390	91,239	22,504	90,421
Khmer Riels	6,506	26,512	7,868	31,614
	<u>28,896</u>	<u>117,751</u>	<u>30,372</u>	<u>122,035</u>

6 Balance with the NBC

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Statutory deposits (*)	254,765	1,038,167	254,764	1,023,642
Current account	920,604	3,751,462	1,540	6,187
	<u>1,175,369</u>	<u>4,789,629</u>	<u>256,304</u>	<u>1,029,829</u>

(*) In compliance with Prakas No. B7-06-209 dated on 13 September 2006 on the licensing of Micro-Finance Institution, the Company is required to maintain a statutory capital deposit with the NBC at 5% of the Company's registered share capital. This deposit is refundable when the Company voluntarily liquidates and has no deposit liabilities. This statutory deposit earns interest at the rate of 0.54% per annum (2018: 0.62%).

7 Balance with other banks

31 December 2019

31 December 2018

	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2) Restated
Current accounts	508,692	2,072,920	457,243	1,837,202
Saving accounts	712,736	2,904,399	909,142	3,652,933
	1,221,428	4,977,319	1,366,385	5,490,135
Net effect of prior year adjustment on allowance for impairment	13,664	55,681	17,531	70,440
Allowance for impairment	(7,214)	(29,397)	(13,664)	(54,902)
	1,227,878	5,003,603	1,370,252	5,505,673

8 Cash and cash equivalents

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Cash on hand	28,896	117,751	30,372	122,035
Balance with NBC-current account	920,604	3,751,462	1,540	6,187
Balances with other banks	1,221,428	4,977,319	1,366,385	5,490,135
	2,170,928	8,846,532	1,398,297	5,618,357

9 Loans to customers - net

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2) Restated
Individual loans	21,027,910	85,688,733	18,108,746	72,760,941
Group loans	396,688	1,616,504	412,424	1,657,120
Loans to customer - gross	21,424,598	87,305,237	18,521,170	74,418,061
Allowance for loan loss and effect of CIFRS for SMEs conversion	(30,773)	(125,400)	(195,995)	(787,508)
Loans to customer - net	21,393,825	87,179,837	18,325,175	73,630,553

Loans to customers - gross are analysed as follows:

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
(a) By maturity:				
Within 1 month	24,574	100,139	23,946	96,215
>1 to 3 months	88,247	359,607	70,283	282,397
>3 to 12 months	1,348,429	5,494,848	1,254,069	5,038,849
More than 12 months	19,963,348	81,350,643	17,172,872	69,000,600
	21,424,598	87,305,237	18,521,170	74,418,061
(b) By currency:				
US dollars	19,278,341	78,559,240	18,167,604	72,997,433
Khmer riels	2,146,257	8,745,997	353,566	1,420,628
	21,424,598	87,305,237	18,521,170	74,418,061

On 1 December 2016, the NBC issued a Prakas no. B7-016-334 on Provision of Credit in National Currency of Banking and

Finance Institution, required all institutions to have loans in national currency ("KHR") at least 10% of the total loan portfolio. The Company is required to fully implement this requirement by 31 December 2019.

(c) By economic sectors:				
Construction	7,670,318	31,256,546	6,800,018	27,322,472
Agriculture	3,523,036	14,356,372	2,939,372	11,810,397
Transportation	1,926,162	7,849,110	2,223,350	8,933,420
Trade and commerce	3,247,183	13,232,271	2,159,948	8,678,671
Services	1,831,595	7,463,750	1,994,504	8,013,917
Household/family	392,436	1,599,177	341,954	1,373,971
Staff loans	121,028	493,189	114,134	458,590
Others	2,712,840	11,054,822	1,947,890	7,826,623
	21,424,598	87,305,237	18,521,170	74,418,061
(d) By residency status:				
Residents	21,424,598	87,305,237	18,521,170	74,418,061
(e) By relationship:				
Non-related parties	21,303,570	86,812,048	18,407,036	73,959,471
Staff loans	121,028	493,189	114,134	458,590
	21,424,598	87,305,237	18,521,170	74,418,061
(f) By location:				
Branches	20,961,070	85,416,360	17,823,979	71,616,748
Head office	463,528	1,888,877	697,191	2,801,313
	21,424,598	87,305,237	18,521,170	74,418,061
(g) By performance:				
Standard loans				
Secured	20,817,418	84,830,978	17,984,664	72,262,380
Unsecured	396,958	1,617,604	420,516	1,689,633
Special Mentioned loans				
Secured	86,819	353,787	21,054	84,595
Unsecured	1,041	4,242	812	3,263
Sub-standard loans				
Secured	39,253	159,956	11,913	47,866
Unsecured			1,069	4,295
Doubtful loans				
Secured	33,365	135,962	32,430	130,304
Unsecured	356	1,451	27	108
Loss loans				
Secured	47,798	194,777	44,937	180,557
Unsecured	1,590	6,480	3,748	15,060
	21,424,598	87,305,237	18,521,170	74,418,061

Secured loans are collateralized by hard and soft title deed. Soft title deed is not issued by cadastral department. Unsecured loans represent the uncollateralized loans.

(h) By interest rate (per annum):		
Group loan	18.00%	18.00% - 36.00%
Individual loan	16.20% - 18.00%	16.20% - 33.60%
Staff loan	15.60%	15.60%
Small-Medium Entities	15.84% - 22.8%	-

On 13 March 2017, the NBC issue the Prakas no. B7-017-109 on Interest Rate Ceiling on Loans, requiring the microfinance

deposit-taking institutions, microfinance institutions and rural credit operators to set the interest rate not exceeding 18% per annum, effective from 1 April 2017 for all new loans, restructured loans and refinancing loans.

Interest rates which are higher than statutory interest rate ceiling limits as of 31 December 2019 and 2018 represent interest rates of loans disbursed prior to the effective date of the new regulation on 1 April 2017.

10 Equity investment

This represents the investment in Credit Bureau Holding (Cambodia) Ltd ("CBH") through the Cambodia Microfinance Association. CBH is one of shareholders of Credit Bureau (Cambodia) Co., Ltd which is a company operating as the leading provider of information, analytical tools and credit reporting services in the Kingdom of Cambodia.

11 Other assets

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2) Restated
Interest receivables	5,425	22,107	8,347	33,539
Interest in suspense	(6,343)	(25,848)	(9,514)	(38,227)
Net interest receivable	(918)	(3,741)	(1,167)	(4,688)
Prepaid rent	53,040	216,138	54,624	219,479
Deposit in registered stock share of Consortio Estimos S.C. (**)	6,553	26,703	6,553	26,330
Security Deposit			200,000	803,600
Others receivable	63,379	258,270	5,307	21,323
	<u>122,054</u>	<u>497,370</u>	<u>265,317</u>	<u>1,066,044</u>

(**) In accordance with the loan agreement with Consortio Etimos S.C., the Company was required to subscribe a number of Consortio Etimos S.C. share at EUR258 per share with total value of EUR4,386 (equivalent to USD6,553). This is to comply with the requirement of Consortio Etimos S.C. and the subscribed amount represents the deposit which was to be repaid following the loan maturity date or when the Company pays off the loans. Although the loan has been paid off, the Company has not withdrawn the deposit to maintain relationship with the overseas lender.

12 Property and equipment

	Leasehold improvements USD	Office equipment USD	Computer and IT equipment USD	Furniture and fixtures USD	Motor vehicles USD	Total USD
Gross carrying amount						
Balance 1 January 2019	40,536	30,517	62,972	28,092	92,832	254,949
Additions	253	16,337	13,573	1,966	-	32,129
Write off	(7,516)	(2,216)	(9,637)	(4,418)	-	(23,787)
Balance 31 December 2019	33,273	44,638	66,908	25,640	92,832	263,291
Accumulated depreciation						
Balance 1 January 2019	21,522	17,876	49,260	19,502	53,379	161,539
Charge during the year	6,222	7,242	13,505	2,634	9,864	39,467
Net effect of change in accounting estimate	(1,942)	2,564	(12,613)	2,145	2,262	(7,584)
Write off	(7,565)	(2,133)	(9,324)	(4,216)	-	(23,238)
Balance 31 December 2019	18,237	25,549	40,828	20,065	65,505	170,184
Carrying amount 31 December 2019	15,036	19,089	26,080	5,575	27,327	93,107
Equivalent in KHR'000 (Note 3.2)	61,272	77,788	106,276	22,718	111,357	379,411
	Leasehold improvement USD	Office equipment USD	Computer equipment USD	Furniture and fixture USD	Motor vehicles USD	Total USD
Gross carrying amount						
Balance 1 January 2018	35,290	23,834	45,768	24,898	45,432	175,222
Additions	5,246	6,683	17,204	3,194	47,400	79,727
Balance 31 December 2018	40,536	30,517	62,972	28,092	92,832	254,949
Accumulated depreciation						
Balance 1 January 2018	14,604	13,672	36,247	16,629	40,228	121,380
Charge during the year	6,918	4,204	13,013	2,873	13,151	40,159
Balance 31 December 2018	21,522	17,876	49,260	19,502	53,379	161,539
Carrying amount 31 December 2018	19,014	12,641	13,712	8,591	39,453	93,410
Equivalent in KHR'000 (Note 3.2)	76,398	50,792	55,095	34,515	158,522	375,321

13 Intangible assets

	Software	
	2019	2018
	USD	USD
Gross carrying amount		
Balance at 1 January	42,900	-
Additions	-	42,900
Balance 31 December	42,900	42,900
Accumulated amortisation		
Balance at 1 January	21,450	-
Charge during the year	10,725	21,450
Net effect of change in accounting estimate	(22,185)	-
Balance 31 December	9,990	21,450
Carrying amounts as at 31 December	32,910	21,450
Equivalent in KHR'000 (Note 3.2)	134,108	86,186

14 Share capital

The Company has a registered capital of USD5,095,290 divided into 509,529 shares with a par value of USD10 per share. The ordinary shares have been fully issued and paid up.

The details of shareholding are as follows:

	31 December 2019			31 December 2018		
	% of Ownership	Number of shares	Amount USD	% of Ownership	Number of shares	Amount USD
Gojo & Company, Inc.	61.63%	314,029	3,140,290	61.63%	314,029	3,140,290
Mr. An Bunhak	19.63%	100,000	1,000,000	19.63%	100,000	1,000,000
Ms. Sreng Sivechheng	8.44%	43,000	430,000	8.44%	43,000	430,000
Ms. Sarun Vithourat	8.24%	42,000	420,000	8.24%	42,000	420,000
Mr. Chet Chanprasoeur	1.08%	5,500	55,000	1.08%	5,500	55,000
Mr. Pa Ponnak Rithy	0.86%	4,385	43,850	0.86%	4,385	43,850
Mr. Pa Ponnak Rithy (staff representative)	0.12%	615	6,150	0.12%	615	6,150
	100%	509,529	5,095,290	100%	509,529	5,095,290

15 Share premium

	31 December 2019		31 December 2018	
	Number of shares	Amount in USD	Number of shares	Amount in USD
3 September 2012 (a)	51,500	121,025	51,500	121,025
17 October 2014 (b)	176,000	574,992	176,000	574,992
16 December 2016 (c)	202,029	842,157	202,029	842,157
	429,529	1,538,174	429,529	1,538,174

- (a) On 3 September 2012, the Board of Directors decided to increase the number of the Company's shares from 80,000 shares to 131,500 shares by issuing 51,500 new shares at USD12.35 for each share. The excess of USD2.35 per share over the USD10 par value was recognised as share premium. The increase was approved by the NBC on 23 November 2012.

- (b) On 17 October 2014, the Board of Directors resolved to increase the number of shares from 131,500 shares to 307,500 shares through issuance of an additional 176,000 shares at USD13.267 each. The excess of USD3.267 per share over par value was recognised as share premium. The increase was approved by the NBC on 30 March 2015.
- (c) On 16 December 2016, the Board of Directors resolved to increase the number of share capital from 307,500 shares to 509,290 shares through issuance of an additional 201,790 shares, of which 159,029 shares were at USD14.16 each and 42,761 shares at USD14.20 each. The excess of USD4.16 and USD4.20 per share, respectively, over par value was recognised as share premium. The increase was approved by the NBC on 23 December 2016.

16 Regulatory reserve

As at 31 December 2019, the regulatory provision calculation was USD186,061 which was higher than the amount determined under CIFRS for SMEs. As such, in compliance with Prakas No. 7-017-344 Article 73 (b), the amounts of USD28,226 and (USD8,343) are transferred from/(to) the closing and opening balances of retained earnings to regulatory reserve, respectively.

17 Amounts due to shareholders

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
<i>Borrowings from shareholders</i>				
Gojo & Company, Inc.	6,910,025	28,158,350	4,897,351	19,677,556
Mr. Pa Ponak Rithy	10,000	40,752	10,000	40,180
Ms. Sreng Sivechheng	-	-	150,000	602,700
	6,920,025	28,199,102	5,057,351	20,320,436

The borrowings from shareholders are unsecured, have annual interest rate between 8%-10%, and repayable between 1 to 3 years.

18 Borrowings

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2) Restated
Oikocredit	4,625,000	18,846,875	3,022,220	12,143,280
Luxembourg Microfinance and development Fund SICAV	1,000,000	4,075,000	1,300,000	5,223,400
Chailease International Finance Service	912,500	3,718,438	975,000	3,917,550
Vattanac Bank Plc.	817,996	3,333,334	637,409	2,561,109
Phnom Penh Commercial Bank	441,718	1,800,001	-	-
SME FINANCE B.V.	-	-	665,619	2,674,457
ACLEDA Bank Plc.	-	-	100,000	401,800
KIVA Microfunds	-	-	9,454	37,987
Borrowing - gross	7,797,214	31,773,648	6,709,702	26,959,583
Less: Amortised cost	(1,847)	(7,527)	(2,769)	(11,126)
	7,795,367	31,766,121	6,706,933	26,948,457

Borrowing-gross are analysed as follows;

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
a) By maturity				

Within 1 month	-	-	300,000	1,205,400
>1 to 3 months	-	-		
>3 to 12 months	1,600,000	6,520,000	706,675	2,839,420
1 to 5 years	6,197,214	25,253,648	5,703,027	22,914,762
	7,797,214	31,773,648	6,709,702	26,959,582
b) By currency				
US dollars	6,537,500	26,640,313	5,546,323	22,285,126
Khmer riels	1,259,714	5,133,335	497,760	2,000,000
Euro	-	-	665,619	2,674,456
	7,797,214	31,773,648	6,709,702	26,959,582
c) By interest rate				
US Dollars	5.10%-9.88%		6.90%-11.05%	
Khmer Riel	8.00%-9.00%		9%	
Euro	None		6.25%	

19 Employee benefits obligation

This amount represents the seniority indemnity obligation by the Company in accordance with the Prakas on Seniority Payment issued by the Ministry of Labour and Vocational Training on 21 September 2018.

20 Other liabilities

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2) Restated
Unearned processing fee income	204,005	831,320	-	-
Interest payable	80,586	328,388	140,990	566,498
Salary and withholding tax payable	28,029	114,218	24,514	98,497
Accrued professional fees	16,347	66,614	23,688	95,178
Accrued unutilised leave	14,127	57,566	13,050	52,436
Insurance for staff	5,321	21,683	5,321	21,380
Others	267,253	1,089,056	65,666	263,846
	615,668	2,508,845	273,229	1,097,835

21 Interest income

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2) Restated
Loans to customers	3,512,645	14,233,238	3,052,734	12,265,885
Effect of CIFRS for SMEs conversion	156,231	633,048	165,813	666,237
	3,668,876	14,866,286	3,218,547	12,932,122
Balance with NBC and other banks	2,596	10,519	5,864	23,562
	3,671,472	14,876,805	3,224,411	12,955,684

22 Interest expense

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2) Restated

Borrowings	660,114	2,674,782	467,579	1,878,732
Effect of CIFRS for SMEs conversion	10,282	41,663	34,003	136,624
	670,396	2,716,445	501,582	2,015,356
Amounts due to shareholders	519,165	2,103,656	423,576	1,701,929
	1,189,561	4,820,101	925,158	3,717,285

23 Fee and commission income

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2) Restated
Loan processing fee	96,663	391,678	267,308	1,074,044
Net affect from CIFRS for SMEs conversion	(710)	(2,879)	(265,313)	(1,066,028)
	95,953	388,799	1,995	8,016
Commission fee on CBC	15,139	61,346	15,492	62,247
	111,092	450,145	17,487	70,263

24 Other income

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Gain on foreign exchange rate	95,446	386,746	108,657	436,583
Finance charge	71,325	289,009	30,253	121,557
Grants income	22,459	91,004	675	2,712
Dividends income	11,858	48,049	-	-
Gain or loss on disposal of property and equipment	-	-	30	121
Other income	9,746	39,491	6,688	26,872
	210,834	854,299	146,303	587,845

25 Personnel expenses

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Salaries and bonuses	1,180,870	4,784,885	968,060	3,889,665
Seniority benefits	58,330	236,353	58,079	233,361
Insurance	22,069	89,424	18,331	73,654
Staff material and incidental travel	13,155	53,304	10,332	41,514
Employee training	8,161	33,068	4,712	18,933
Provident benefits	134	543	3,823	15,361
Others	3,019	12,233	3,271	13,143
	1,285,738	5,209,810	1,066,608	4,285,631

26 Operating expenses

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Professional fees	258,127	1,045,931	199,981	803,524
Rental	194,435	787,851	182,493	733,257
Unrealised exchange loss	75,638	306,485	79,128	317,936
Withholding tax	34,892	141,382	40,092	161,090
License fees	31,411	127,277	17,453	70,126
Membership	24,939	101,053	23,741	95,391
Business meals and entertainment	19,117	77,462	13,978	56,164
Utilities expense	13,731	55,638	12,361	49,666
Communication	11,399	46,189	11,497	46,195
Stationery and supplies	10,214	41,387	10,398	41,779
Repairs and maintenance	8,591	34,811	1,641	6,594
Motor vehicle operating expense	6,343	25,702	3,913	15,722
Security	5,544	22,464	5,210	20,934
Marketing and advertising	4,811	19,494	3,856	15,493
Loss on disposal of property and equipment	549	2,225	-	-
Others	75,050	304,102	74,142	297,903
	<u>774,791</u>	<u>3,139,453</u>	<u>679,884</u>	<u>2,731,774</u>

27 Allowance for credit facilities

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2) Restated
Allowance for bad and doubtful loans	56,075	227,216	193,528	777,596
Allowance for impairment	(6,426)	(26,038)	13,664	54,902
Effect from CIFRS for SMEs conversion	(28,226)	(114,372)	(100,652)	(404,420)
Allowance for loan losses and others	<u>21,423</u>	<u>86,806</u>	<u>106,540</u>	<u>428,078</u>

28 Taxation

28.1 Income tax expense

The Company has an obligation to pay tax on income at rate of 20% of the taxable profit or a minimum tax, whichever is higher. The minimum tax is an annual tax with a liability equal to 1% of gross revenues.

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Current income tax expense	186,313	754,940	132,288	531,533
Deferred income tax	-	-	24,067	96,701
	<u>186,313</u>	<u>754,940</u>	<u>156,355</u>	<u>628,234</u>

A reconciliation between the estimated income tax expense and accounting profit is as follows:

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Minimum tax at 1%	39,934	161,812	33,414	134,257
Profit before income tax	701,462	2,842,325	542,589	2,180,123
Income tax using statutory rate at 20%	140,292	568,465	108,518	436,025
Add reconciling items:				
Non-deductible expenses	39,322	159,333	39,587	159,060
Temporary difference due to the use of different depreciation methods between accounting and tax purposes	6,699	27,142	-	-
Effect of under provision in prior year	-	-	8,250	33,149
Estimated income tax expense	186,313	754,940	156,355	628,234

The Company's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations for many types of transactions is susceptible to varying interpretations, the amounts reported to the financial statements should change at a later date upon final determination by the tax authorities.

28.2 Income tax payable

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.3)	USD	KHR'000 (Note 3.3)
Balance at beginning of year	92,828	372,983	164,844	665,475
Current income tax expense	186,313	759,225	132,288	531,533
Income tax paid	(199,534)	(813,101)	(204,304)	(820,893)
Currency translation difference	-	5,292	-	(3,132)
Balance at end of year	79,607	324,399	92,828	372,983

28.3 Unrecognised deferred tax assets

No additional deferred tax asset is recognised in the financial statement during the year due to its immateriality in amount and the uncertainty of its recoverability.

28.4 Taxation contingencies

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear and subject to interpretation. Often times, different interpretations exist among numerous taxation authorities and jurisdictions. Taxes are also subject to reviews and investigation by a number of authorities that are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Cambodia, substantially greater than in other countries. Management believes that tax liabilities have been adequately provided for based on its interpretation of current tax legislation. However, relevant authorities may have differing interpretations and the effects could be significant since the incorporation date of the Company.

29 Commitments

The Company has lease commitments for the lease of its head office and provincial offices as follows:

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Within one year	83,192	339,007	81,495	327,447
Between two to five years	145,528	593,026	187,386	752,917
More than five years	-	-	-	-
	<u>228,720</u>	<u>932,033</u>	<u>268,881</u>	<u>1,080,364</u>
<i>Other commitments</i>				
Capital expenditure	-	-	8,580	34,474
Others	19,360	78,892	27,720	111,379
	<u>248,080</u>	<u>1,010,925</u>	<u>305,181</u>	<u>1,226,218</u>

30 Related party transactions and balances

The following balances are outstanding with related parties:

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Borrowings from shareholders				
Gojo & Company, Inc.	6,910,025	28,158,350	4,897,352	19,677,560
Mr. Pa Ponnak Rithy	10,000	40,750	10,000	40,180
Ms. Sreng Sivechheng	-	-	150,000	602,700
	<u>6,920,025</u>	<u>28,199,100</u>	<u>5,057,351</u>	<u>20,320,436</u>

During the year, the following transactions with related party are recorded:

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Interest expense for amounts due to shareholders	<u>519,165</u>	<u>2,115,597</u>	<u>423,576</u>	<u>1,701,928</u>
Proceeds from borrowings from shareholders				
Gojo & Company, Inc.	3,410,025	13,895,852	5,397,351	21,686,557
Mr. An Bunhak	250,000	1,018,750	400,000	1,607,200
	<u>3,660,025</u>	<u>14,914,602</u>	<u>5,797,351</u>	<u>23,293,757</u>
Repayments to shareholders				
Gojo & Company, Inc.	1,397,351	5,694,205	3,500,000	14,063,000
Mr. An Bunhak	250,000	1,018,750	600,000	2,410,800
Mr. Pa Ponnak Rithy	-	-	20,000	80,360
Ms. Sreng Sivechheng	150,000	611,250	100,000	401,800
	<u>1,797,351</u>	<u>7,324,205</u>	<u>4,220,000</u>	<u>16,955,960</u>

31 Transactions with key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Key management includes the Board of Directors and key management team (head of each department). Key management personnel remuneration includes the following:

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Salaries and benefits:				
Board of Directors and head of each department	370,372	1,500,746	260,276	1,045,789

32 Financial assets and financial liabilities

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Financial assets measured at amortised cost less impairment				
Cash and cash equivalents	2,170,928	8,846,532	1,398,297	5,618,357
Loan to customers - net	21,393,825	87,179,837	18,325,175	73,630,553
Other assets (*)	62,461	254,529	4,140	16,635
	23,627,214	96,280,898	19,727,612	79,265,545

(*) Excludes prepayment and deposit

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Financial liabilities measured at amortised cost				
Amounts due to shareholders	6,920,025	28,199,102	5,057,351	20,320,436
Borrowing	7,795,367	31,766,121	6,706,933	26,948,457
Employee benefits obligation	52,499	213,933	58,079	233,361
Other liabilities (**)	587,639	2,394,627	248,715	999,338
	15,355,530	62,573,783	12,071,078	48,501,592

** Excludes taxes payable to tax authorities.

33 Financial risk management

The guideline and policies adopted by the Company to manage the risks that arise in the conduct of their business activities are as follows:

33.1 Credit risk

Credit risk is the potential loss of revenue and principal losses in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending and investing activities.

The primary exposure to credit risk arises through its loans to customer and balances with other banks. The lending activities are guided by the Company's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loans portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy, credit approval process and procedures implemented to mitigate credit risks and to ensure compliance with the NBC guidelines.

The Company applies guidelines for selecting a bank partners for its credit and liquidity risk management.

i. Credit risk measurement

The Company assesses the probability of default of individual counterparties by focusing on borrowers' forecasted profit and cash flows. The credit committee are responsible for approving loans to customers.

ii. Risk limit control and mitigation policies

The Company manages limits and controls the concentration of credit risk whenever it is identified.

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to individual customers. Loan are also provided to those small business borrowers that are deemed profitable.

The Board of Directors and Management believe that the Company's maximum exposure to credit risk is limited to the carry amount of loans less provisions for doubtful loans and balances with other banks.

iii. Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provision in accordance with Prakas no.B7-017-344 and Circular no. B7-018-001 on Credit Risk Grading and Impairment Provisioning.

iv. Exposure to credit risk with regards to loans to customers:

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Loans to customers-gross				
Neither past due nor impaired	21,194,349	86,366,972	18,236,963	73,276,118
Past due but not impaired	59,627	242,979	190,083	763,752
Individually impaired	170,623	695,286	94,124	378,191
	21,424,598	87,305,237	18,521,170	74,418,061

- Neither past due nor impaired
Loans not past due is not considered impaired, unless other information is available to indicate the contrary.
- Past due but not impaired
Loans less than 31 days past due and 90 days past due form short-term loans and long-term loans, respectively are not considered impaired, unless other information is available to indicate the contrary.
- Impaired loans to customers
In accordance with Prakas no. B7-017-344 dated on 1 December 2017 on the classification and provisioning for loan losses and Circular no. B7-018-001 dated on 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Impairment Provisioning, loans and advances more than 30 days and 89 days past due for short-term loans and long-term loans, respectively are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

In compliance with the guidelines issued by the NBC, a minimum level of specific provision and general provision is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty.

Restructuring activities include extended payment arrangement, modification and deferral of payment. Following restructuring, the loan is still kept in its current classification.

According to the new Prakas issued by NBC no. B7-017-344 on Credit Risk Grading and Impairment Provisioning in Article 81, once the loan is restructured it remains in the same category regardless of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within 6 instalments periods and within a period of not less than 6 months.

- Individually impaired
Individually impaired loans to customers are loans to customers for which the Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans to customers.

33.2 Operational risk

The operational risk which would result from inadequate or failed internal processes, people and systems or from external factors is managed through established operational risk management processes, proper monitoring and reporting of the business activities by the management and oversight provided by the Board of Directors.

The operational risk management entail the establishment of clear organisational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation. These are reviewed annually to address the operational risks of its micro-finance business.

33.3 Market risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk. Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

The Company is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Company has maintained a minimum foreign currency, hence, it has limited exposure to foreign currency exchange risk.

i. Foreign currency exchange risk

The aggregate amounts of financial assets and financial liabilities, by currency denomination, are as follows:

	2019		Total USD
	USD	USD equivalent KHR	
Assets			
Cash on hand	22,390	6,506	28,896
Balances with the NBC	1,174,878	491	1,175,369
Balances with other banks	606,301	621,577	1,227,878
Loans to customers-net	19,270,134	2,123,691	21,393,825
Equity investment	10,000	-	10,000
Other assets	5,635	-	5,635
Total financial assets	21,089,338	2,752,265	23,841,603
Liabilities			
Amounts due to shareholders	6,920,025	-	6,920,025
Borrowings	6,535,653	1,259,714	7,795,367
Other liabilities	573,512	-	573,512
Total financial liabilities	14,029,190	1,259,714	15,288,904
Net financial asset position	7,060,148	1,492,551	8,552,699
Equivalent in KHR'000 (Note 3.3)	28,770,103	6,082,145	34,852,248

	2018		Total USD
	USD	USD equivalent KHR	
Total financial assets	19,751,228	549,288	20,300,516
Total financial liabilities	10,804,267	501,494	12,002,717
Net financial asset position	8,946,961	47,794	8,297,799
Equivalent in KHR'000 (Note 3.3)	36,118,882	192,944	33,498,215

ii. Interest rate risk

Interest rate risk refer to the volatility in net interest income as a result to changes in the level of interest rate and shifts in the composition of the assets and liabilities. The exposure to interest rate risk relate primarily to its loans, bank deposits and borrowings.

Since the interest rates are fixed and are subject to change with the market rates, the Company does not use derivative financial instruments to hedge such risk.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Up to 1 month USD	1 to 3 months USD	3 to 12 months USD	1 to 5 years USD	Over 5 years USD	Non-interest bearing USD	Total USD	Interest rate
At 31 December 2019								
Financial assets								
Cash on hand	-	-	-	-	-	28,896	28,896	
Balances with the NBC	-	-	-	-	254,765	920,604	1,175,369	0.54%
Balance with other banks	719,186	-	-	-	-	508,692	1,227,878	
Loans to customers-net	24,574	88,247	1,348,429	19,932,575	-	-	21,393,825	15.84%-22.8%
Equity investment	-	-	-	-	-	10,000	10,000	
Other assets	-	-	-	-	-	5,635	5,635	
Total financial assets	743,760	88,247	1,348,429	19,932,575	254,765	1,473,827	23,841,603	
Financial liabilities								
Amounts due to shareholders	10,000	4,000,000	1,910,025	1,000,000	-	-	6,920,025	8%-10%
Borrowings	-	-	1,600,000	6,195,367	-	-	7,795,367	5.10%-9.88%
Other liabilities	-	-	-	-	-	573,512	573,512	
Total financial liabilities	10,000	4,000,000	3,510,025	7,195,367	-	573,512	15,288,904	
Interest re-pricing gap	733,760	(3,911,753)	(2,161,596)	12,737,208	254,765	900,315	8,552,699	
Equivalent in KHR'ooo (Note 3.2)	2,990,072	(15,940,393)	(8,808,504)	51,904,123	1,038,167	3,668,784	34,852,248	

	Up to 1 month USD	1 to 3 months USD	3 to 12 months USD	1 to 5 years USD	Over 5 years USD	Non-interest bearing USD	Total USD	Interest rate
At 31 December 2018								
Financial assets								
Cash on hand	-	-	-	-	-	30,372	30,372	
Balances with the NBC	-	-	-	-	254,764	1,540	256,304	0.62%
Balance with other banks	913,009	-	-	-	-	457,243	1,370,252	0.015%-0.75%
Loans to customers-net	23,946	70,283	1,254,069	16,976,877	-	-	18,325,175	15.60%-36%
Equity investment	-	-	-	-	-	10,000	10,000	
Other assets	-	-	200,000	-	-	5,386	205,386	
Total financial assets	936,955	70,283	1,454,069	16,976,877	254,764	504,541	20,197,489	
Financial liabilities								
Amounts due to shareholders	-	-	1,057,351	4,000,000	-	-	5,057,351	8%-10%
Borrowings	300,000	-	706,675	5,700,258	-	-	6,706,933	6.25%-11.05%
Other liabilities	-	-	-	-	-	235,664	235,664	
Total financial liabilities	300,000	-	1,764,026	9,700,258	-	235,664	11,999,949	
Interest re-pricing gap	636,955	70,283	(309,957)	7,276,619	254,764	268,877	8,197,540	
Equivalent in KHR'ooo (Note 3.2)	2,559,285	282,397	(1,245,407)	29,237,455	1,023,642	1,080,348	32,937,716	

33.4 Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Company closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans is monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as at when they fall due.

The following table provides an analysis of the financial assets and liabilities of the Company into relevant maturity groupings, including instalment due.

	Up to 1 month USD	1 to 3 months USD	3 to 12 months USD	1 to 5 years USD	Over 5 years USD	No fixed-terms USD	Total USD
At 31 December 2019							
Financial assets							
Cash on hand	28,896	-	-	-	-	-	28,896
Balances with the NBC	920,605	-	-	-	-	254,764	1,175,369
Balance with other banks	1,227,878	-	-	-	-	-	1,227,878
Loans to customers-net	24,574	88,247	1,348,429	19,932,575	-	-	21,393,825
Equity investment	-	-	-	-	-	10,000	10,000
Other assets	(918)	-	-	-	-	6,553	5,635
Total financial assets	2,201,035	88,247	1,348,429	19,932,575	-	271,317	23,841,603
Financial liabilities							
Amounts due to shareholders	10,000	4,000,000	1,910,025	1,000,000	-	-	6,920,025
Borrowings	-	-	1,600,000	6,195,367	-	-	7,795,367
Other liabilities	568,191	-	-	-	-	5,321	573,512
Total financial liabilities	578,191	4,000,000	3,510,025	7,195,367	-	5,321	15,288,904
Interest re-ricing gap	1,622,844	(3,911,753)	(2,161,596)	12,737,208	-	265,996	8,552,699
Equivalent in KHR'000 (Note 3.2)	6,613,089	(15,940,393)	(8,808,502)	51,904,123	-	1,083,934	34,852,250

	Up to 1 month USD	1 to 3 months USD	3 to 12 months USD	1 to 5 years USD	Over 5 years USD	No fixed terms USD	Total USD
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At 31 December 2018

Financial assets

Cash on hand	30,372	-	-	-	-	-	30,372
Balances with the NBC	1,540	-	-	-	-	254,764	256,304
Balance with other banks	1,370,252	-	-	-	-	-	1,370,252
Loans to customers-net	23,946	70,283	1,254,069	16,976,877	-	-	18,325,175
Equity investment	-	-	-	-	-	10,000	10,000
Other assets	(1,167)	-	200,000	-	-	6,553	205,386
Total financial assets	1,424,943	70,283	1,454,069	16,976,877	-	271,317	20,197,489

Financial liabilities

Amounts due to shareholders	-	-	1,057,351	4,000,000	-	-	5,057,351
Borrowings	300,000	-	706,675	5,700,258	-	-	6,706,933
Other liabilities	230,344	-	-	-	-	5,321	235,664
Total financial liabilities	530,344	-	1,764,026	9,700,258	-	5,321	11,999,949
Interest re-pricing gap	894,699	70,283	(309,957)	7,276,619	-	265,996	8,197,5406
Equivalent in KHR'000 (Note 3.2)	3,594,499	282,397	(1,245,407)	29,237,455	-	1,068,772	32,937,716

33.5 Capital management

Regulatory capital

The Company's lead regulator, the NBC, sets and monitors capital requirements for the Company as a whole.

The Company's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised. The Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Company complied with all externally imposed capital requirements throughout the year.

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

34 Transition to the CIFRS for SMEs

These are the Company's first financial statements prepared in accordance with the CIFRS for SMEs. Previously they were prepared in accordance with Cambodian Accounting Standards ("CAS") and the guidelines of the National Bank of Cambodia. The Company has prepared its opening statement of financial position at the date of transition to the CIFRS for SMEs, which is 1 January 2018.

The effects of the transition to CIFRS for SMEs on total equity, profit and cash flows are presented in this section and further explained in the succeeding notes.

34.1 Exemption from full retrospective application

The Company's accounting policies presented in note 3 have been applied in preparing the financial statements for the year ended 31 December 2019, the comparative information and the opening statement of financial position as at the date of transition. The resulting adjustments have been recognised in retained earnings at the date of transition of 1 January 2018.

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34.2 Reconciliation

Equity at the date of transition and 31 December 2018 can be reconciled to the amount previously reported under CAS as follows:

	1 January 2018			31 December 2018		
	As previously reported under CAS USD	Effect of transition to CIFRS for SMEs USD	CIFRS for SMEs USD	As previously reported under CAS USD	Effect of transition to CIFRS for SMEs USD	CIFRS for SMEs USD
Assets						
Cash on hand	10,288	-	10,288	30,372	-	30,372
Balances with the NBC	255,965	411	256,376	256,304	-	256,304
Balances with other banks	1,070,755	1,433	1,072,188	1,352,721	17,531	1,370,252
Loans to customers - net	15,007,833	41,596	15,049,429	18,268,951	56,224	18,325,175
Equity investment	10,000	-	10,000	10,000	-	10,000
Other assets	400,416	(135,769)	264,647	442,098	(176,781)	265,317
Property and equipment	53,841	-	53,841	93,410	-	93,410
Intangible assets	-	-	-	21,450	-	21,450
Deferred tax assets	58,631	-	58,631	34,564	-	34,564
Total assets	16,867,729	(92,329)	16,775,400	20,509,870	(103,026)	20,406,844
Equity and liabilities						
Equity						
Share capital	5,095,290	-	5,095,290	5,095,290	-	5,095,290
Share premium	1,538,174	-	1,538,174	1,538,174	-	1,538,174
Reserves	87,537	-	87,537	113,805	-	113,805
Regulatory reserve	-	166,178	166,178	-	157,835	157,835
Retained earnings	1,318,172	(262,658)	1,055,514	1,584,463	(271,143)	1,313,320
Total equity	8,039,173	(96,480)	7,942,693	8,331,732	(113,308)	8,218,424
Liabilities						
Amounts due to shareholders	3,480,000	-	3,480,000	5,057,351	-	5,057,351
Borrowings	4,863,901	(6,795)	4,857,106	6,709,702	(2,769)	6,706,933
Employee benefits obligation	-	-	-	58,079	-	58,079
Other liabilities	192,145	10,946	203,091	260,178	13,051	273,229
Current income tax liability	164,844	-	164,844	92,828	-	92,828
Provident fund	127,666	-	127,666	-	-	-
Total liabilities	8,828,556	4,151	8,832,707	12,178,138	10,281	12,188,420
Total equity and liabilities	16,867,729	(92,329)	16,775,400	20,509,870	(103,026)	20,406,844

34.3 Reconciliation of total comprehensive income

Total comprehensive income for the year ended 31 December 2018 can be reconciled to the amount previously reported under CAS as follows:

	As previously reported under CAS USD	Effect of transition to CIFRS for SMEs USD	CIFRS for SMEs USD
Interest income	3,058,598	165,813	3,224,411
Interest expense	(891,155)	(34,003)	(925,158)
Net interest income	2,167,443	131,809	2,299,253
Fee and commission income	282,800	(265,313)	17,487
Fee and commission expense	(35,791)	29,978	(5,813)
Net Fee and commission income	247,009	(235,336)	11,674
Other income	146,303	-	146,303
Total Operating income	2,560,755	(103,526)	2,457,230
Personnel expenses	(1,063,337)	(3,271)	(1,066,608)
Operating expenses	(679,884)	-	(679,884)
Depreciation and amortization expenses	(61,609)	-	(61,609)
Allowance for credit facilities	(207,192)	100,652	(106,540)
Profit before income tax	548,733	(6,144)	542,589
Income tax expense	(156,355)	-	(156,355)
Net profit for the year	392,378	(6,144)	386,234

The main adjustments upon transition to CIFRS for SMEs represents:

Provision for loans impairment

Loans and advances to customers are now stated in the statement of financial position at the amount of principal outstanding less provision for loans impairment. Previously, they were stated in the statement of financial position at the amount of principal outstanding less any amounts written off and specific and general allowance based on NBC's Prakas No. B7-017-344 dated 1 December 2017 on Credit Risks Grading and Provision on Impairment and Circular No. B7-018-001 dated 12 February 2018 on the Implementation of Prakas on Credit Risk Grading and Provision on impairment.

Loan processing fees

Loan processing fees income are now recognised as income over the term of the loan to customers. Previously, they were recognised upfront when the loan is disbursed to customers.

Interest in suspense

Interest earned on non-performing loans are now recognised as income. Previously when the loans become doubtful of collection, no interest is recognised as income. The recognition of interest income is suspended until it is realised on a cash basis.

35 Events after the reporting date

On 11 March 2020, the World Health Organisation officially declared Covid-19, the disease caused by the novel coronavirus, a pandemic. The Board of Directors is closely monitoring the evolution of this pandemic, including how it may affect the Bank, the economy and the general population. The Board of Directors has not yet determined the financial impact of these events on the Company.

36 Authorisation of financial statements

The financial statements as at and for the year ended 31 December 2019 were approved for issue by the Board of Directors on 13 May 2020.