



Independent Auditor's Report

Daikou Finance Plc.

Financial Statements

For the year ended 31 December 2022

Contents

	Pages
Directors' report	1-2
Independent auditors' report	3-5
Statement of financial position	6
Statement of profit & loss and other comprehensive income	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10-31



លេខ: N/A ដៃគូ/២០២៣

Board of Directors' report

The board of directors hereby submit the report and the audited financial statements of the Daikou Finance Plc. ("the Company") for the financial year ended 31 December 2022.

1. Background and principal activities

Daikou Finance Plc. ("the Company") is a public limited company incorporated in the Kingdom of Cambodia obtained its license from the National Bank of Cambodia ("NBC") to operate as a rural credit operator in Cambodia under the law on banking and financial institutions dated 04 June 2013. On 26 August 2015 the Company registered with the Ministry of Commerce ("MOC") under registration No. 00044553.

The Company is principally engaged in all aspects of credit operator business and the provision of related financial services in Cambodia.

The Company's office is located National Road 2, Khlaing Sambath village, Putsor commune, Bati district, Takeo province, Kingdom of Cambodia.

2. Results of operations

The results of the Company's operations for the year ended 31 December 2022 and the state of its affairs as at that date are set out in the financial statements.

The board of directors recommend the payment of dividend in the amount of USD 49,370 for the year ended 31 December 2022.

3. Board of Directors

The board of directors' members of the Company during the year and to the date of this report were as follows:

Name	Position
Mrs. Chen Sopheap	Chairwoman
Mr. Dy Sitha	Director
Mr. Lak Chin Savath	Director
Mrs. Thuch Visakha	Director
Mr. Prak Oudamsambath	Director

4. Auditors

The financial statements for the year ended 31 December 2022 have been audited by Kreston Cambodia trading name under Cam Accounting & Tax Service Co., Ltd.

5. Board of director's responsibility for the financial statements

The board of directors are responsible for the financial statements of the Company to be properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and cash flows for the financial year then ended. In the preparation of these financial statements, the directors are required to:

- adopt appropriate accounting policies in compliance with Cambodian International Financial Reporting Standards for Small and Medium-Sized Entities ("CIFRS for SMEs") which are supported by reasonable and appropriate judgments and estimates and then apply them consistently;
- comply with the disclosure requirements CIFRS for SMEs and guidelines of the National Bank of Cambodia or, if there have been any departures 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. control and direct effectively the Company in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

The directors confirm that the Company has complied with the above requirements in preparing the financial statements of the Company.

6. Preparation of the financial statements

In the preparation of the financial statement, the directors have taken account of the following matters:

- i. all material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements;
- ii. adequate allowance for impairment losses on loan to customers and current and non-current assets, if required, has been made;
- iii. known bad debts had been written off, if any;
- iv. existing methods of valuation of assets or liabilities is not misleading or inappropriate;
- v. there are no known circumstances that would render any amount stated in the financial statements to be misleading;
- vi. there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made;
- vii. the results of the operations of the Company during the financial years were not, in the opinion of the directors, substantially affected by any item, transactions or event of a material and unusual nature;
- viii. no contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the Company to meet its obligations when they fall due.

7. Approval of the Financial Statements

The directors hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Company as at 31 December 2022, its financial performance and cash flows for the financial year then ended in accordance with CIFRS for SMEs and guidelines of the National Bank of Cambodia ("NBC").

On behalf of Board of Directors


Mrs. Chen Sopheap
Chairwoman

Takeo Province, Kingdom of Cambodia
Date: 28 June 2023

58



Independent auditor's report

To shareholders of Daikou Finance Plc.

Kreston Cambodia is trading under name of
Cam Accounting & Tax Service Co., Ltd.
Certified Public Accountants and Auditors
Tax Agent License (GDT Member)
Audit Firm License (KICPAA Member)
Financial Institution Audit License (NBC Member)

Address: #3D, Street 416, Sangkat Tumnup Tuek, Khan
Beong Keng Kong,
Phnom Penh, Cambodia
Tel: (855) 93 33 51 58
(855) 12 75 32 57
E-mail: info@krestoncambodia.com
www.krestoncambodia.com

Qualified opinion

We have audited the financial statements of Daikou Finance Plc., ("the Company") which comprise the statement of financial position as at 31 December 2022 of the Company, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 31.

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the financial year then ended in accordance with Cambodian International Financial Reporting Standards for Small and Medium-Sized Entities ("CIFRS for SMEs") and guidelines of the National Bank of Cambodia ("NBC").

Basis for qualified opinion

Because the Company did not comply the allowance for impairment for financial assets in the note 7 & 8 in the financial position as at 31 December 2021 in accordance with CIFRS for SMEs and NBC guideline. As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded allowance for impairment losses account and the elements making up the statement of profit & loss and other comprehensive income, statement of changes in equity and statement of cash flows.

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements of Daikou Finance Plc. for the year ended 31 December 2021 were audited by another auditing firm whose report, dated 05 October 2022, expressed a qualified opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' report and, in doing so, consider whether the Directors' report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with CIFRS for SMEs and guidelines of the National Bank of Cambodia. The directors are also responsible for such internal controls as the directors determine are 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 of the Company, the directors are 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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 CISA 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 a part of an audit in accordance with CISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Company, 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 directors.
- conclude on the appropriateness of the directors' 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 auditors' report to the related disclosures in the financial statements of the Company 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 auditors' 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 of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

On behalf of Kreston Cambodia
Trading as Cam Accounting & Tax Service Co., Ltd.
 Certified Public Accountants and Auditors



Keat Heng, CPA, ACCA
Audit Partner

Phnom Penh, Kingdom of Cambodia
 Date: 28 June 2023

8

Statement of financial position

	Notes	As at 31 December 2022		As at 31 December 2021	
		USD	KHR'000	USD	KHR'000
Assets					
Cash on hand	4	48,726	200,605	11,174	45,523
Deposits and placements with NBC	6	20,462	84,242	20,677	84,238
Deposits and placements with banks	5	127,831	526,280	9,164	37,334
Loans to customers	7	2,312,462	9,520,406	1,814,894	7,393,878
Property and equipment	9	3,371	13,878	2,792	11,375
Intangible asset	10	3,526	14,517	1,772	7,219
Other assets	8	32,786	134,980	53,232	216,867
Deferred tax assets		-	-	3,324	13,542
Total assets		2,549,164	10,494,908	1,917,029	7,809,976
Liabilities					
Borrowings	14	1,895,281	7,802,872	1,301,532	5,302,441
Amount due to related parties	23	70,000	288,190	81,000	329,994
Other liabilities	11	53,103	218,625	22,566	91,934
Income tax payable	21(a)	12,706	52,311	15,542	63,318
Total liabilities		2,031,090	8,361,998	1,420,640	5,787,687
Equity					
Share capital	12	421,200	1,684,800	421,200	1,684,800
Retained earnings		76,382	311,246	75,189	306,372
Regulatory reserve	13	20,492	83,751	-	-
Translation reserve		-	53,113	-	31,117
Total equity		518,074	2,132,910	496,389	2,022,289
Total liabilities and equity		2,549,164	10,494,908	1,917,029	7,809,976

Statement of profit & loss and other comprehensive income

	Notes	For the year ended 31 December 2022		For the year ended 31 December 2021	
		USD	KHR'000	USD	KHR'000
Interest income	15	406,376	1,660,859	297,620	1,210,718
Interest expense	16	(186,415)	(761,878)	(154,922)	(630,223)
Net interest income		219,961	898,981	142,698	580,495
Other operating income	17	87,936	359,394	129,486	526,749
Employee expenses	19	(134,741)	(550,686)	(115,390)	(469,407)
General and administrative expenses	20	(94,016)	(384,243)	(82,098)	(333,975)
Allowance for impairment losses	18	9,247	37,792	(3,150)	(12,814)
Profit before taxes		88,387	361,238	71,546	291,048
Income taxes	21(b)	(17,595)	(71,911)	(16,690)	(67,895)
Profit for the year		70,792	289,327	54,856	223,153
Currency translation differences		-	21,996	-	-
Total comprehensive income for the year		70,792	311,323	54,856	223,153

The accompanying notes are an integral part of these financial statements.

Statement of changes in equity

	Share capital USD	Regulatory reserve USD	Retained earnings USD	Total USD
At 01 January 2021	421,200	-	65,271	486,471
Profit for the year	-	-	54,856	54,856
Dividend	-	-	(51,050)	(51,050)
Adjustment	-	-	6,112	6,112
Balance at 31 December 2021	421,200	-	75,189	496,389
Profit for the year	-	-	70,792	70,792
Dividend	-	-	(49,370)	(49,370)
Adjustment	-	-	263	263
Transfer	-	20,492	(20,492)	-
Balance at 31 December 2022	421,200	20,492	76,382	518,074

	Share capital KHR'000	Regulatory reserve KHR'000	Retained earnings KHR'000	Translation reserve KHR'000	Total Equity KHR'000
At 01 January 2021	1,684,800	-	266,026	(2,004)	1,948,822
Profit for the year	-	-	223,153	-	223,153
Dividend	-	-	(207,671)	-	(207,671)
Adjustment	-	-	24,864	-	24,864
Translation differences	-	-	-	33,121	33,121
Balance at 31 December 2021	1,684,800	-	306,372	31,117	2,022,289
Profit for the year	-	-	289,327	-	289,327
Dividend	-	-	(201,777)	-	(201,777)
Adjustment	-	-	1,075	-	1,075
Transfer	-	83,751	(83,751)	-	-
Translation differences	-	-	-	21,996	21,996
Balance at 31 December 2022	1,684,800	83,751	311,246	53,113	2,132,910

The accompanying notes are an integral part of these financial statements.

Statement of cash flows

	Notes	For the year ended 31 December 2022		For the year ended 31 December 2021	
		USD	KHR'000	USD	KHR'000
Cash flow from operating activities					
Profit before taxes		88,387	361,238	71,546	291,049
Adjustment for:					
Depreciation & amortisation	9&10	2,787	11,389	3,722	15,141
Allowance for impairment losses	18	(9,247)	(37,792)	3,150	12,814
Gain on disposal of property and equipment	9	-	-	(1,091)	(4,438)
Operating profit before working capital changes		81,927	334,835	77,327	314,566
Changes in:					
Statutory deposit with NBC	6	(215)	(879)	149	606
Loans to customers	7	(488,321)	(1,995,768)	(213,937)	(870,296)
Other assets	8	20,446	83,563	456	1,855
Other liabilities	11	30,537	124,805	(1,483)	(6,033)
Cash used in operations		(355,626)	(1,453,444)	(137,488)	(559,302)
Income taxes paid	22(a)	(20,431)	(83,501)	(15,760)	(64,111)
Net cash flow used in operating activities		(376,057)	(1,536,945)	(153,248)	(623,413)
Cash flow from investing activities					
Acquisition of property & equipment	9&10	380	1,553	(840)	(3,417)
Proceed from disposal assets	9	-	-	1,200	4,882
Net cash flow generated from investing activities		380	1,553	360	1,465
Cash flows from financing activities					
Proceed of borrowing	14&23	1,148,527	4,694,029	585,000	2,379,780
Repayment of borrowing	23	(565,778)	(2,312,335)	(450,221)	(1,831,499)
Dividend paid		(49,370)	(201,777)	(51,050)	(207,671)
Cash generated from financing activities		533,378	2,179,917	83,729	340,610
Net changes in cash and cash equivalents*		157,701	644,524	(69,159)	(281,339)
Cash and cash equivalents at 01 January		20,338	82,857	89,497	362,015
Currency translation differences		-	5,600	-	2,181
Cash and cash equivalents at 31 December		177,848	732,200	20,338	82,857

*There were non-cash item to adjustment with retained earning USD 191.

Cash and cash equivalents at 31 December 2022 reconciliation:

Cash on hand	48,726	200,605	11,174	45,523
Deposits and placements with banks	129,122	531,595	9,164	37,334
	177,848	732,200	20,338	82,857

Notes to the financial statements

1. Background and principal activities

Daikou Finance Plc. ("the Company") is a public limited company incorporated in the Kingdom of Cambodia obtained its license from the National Bank of Cambodia ("NBC") to operate as a rural credit operator in Cambodia under the law on banking and financial institutions dated 04 June 2013. On 26 August 2015 the Company registered with the Ministry of Commerce ("MOC") under registration No. 00044553.

The Company is principally engaged in all aspects of credit operator business and the provision of related financial services in Cambodia.

The Company's office is located National Road 2, Khlaing Sambath village, Putsor commune, Bati district, Takeo province, Kingdom of Cambodia.

2. Statement of compliance with CIFRS for SMEs

The financial statements of the Company have been prepared in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs") and guidelines issued by NBC.

3. Significant accounting policies

3.1 New and amended standards and interpretations

3.1.1 New standards adopted as at 01 January 2022

The new standards are described below which have become effective this year as follows:

- Amendments to IFRS 3 Reference to the Conceptual Framework.
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended use.
- Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract.
- Annual Improvements (2018-2020 Cycle):
 - Subsidiary as a First-time Adopter (Amendments to IFRS 1)
 - Fees in the '10 percent' Test for Derecognition of Financial Liabilities (Amendments to IFRS 9)
 - Lease Incentives (Amendments to IFRS 16)
 - Taxation in Fair Value Measurements (Amendments to IAS 41).

The new standards are not expected to have significant impact on the financial statements in the current year and therefore these standards have not been adopted by the Company.

3.1.2 Standards, amendments and interpretations to existing standards effective on or after 01 January 2023

Those standards, amendments and interpretations are not yet effective and have not been adopted early by the Company include:

- Amendments to IAS 1 Classification of Liabilities as Current or Non-Current.
- IFRS 17 Insurance Contracts.
- IAS 8 Definition of Accounting Estimates
- IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

3.1.3 Critical accounting estimates & judgements

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

a. Impairment of loan and advances

The loss allowances for loan to customer are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting

appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period.

b. Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

c. The useful life of depreciable assets

Management reviews its estimate of the useful life of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain property and equipment and software.

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Company's accounting policies which will have a significant effect on the amounts recognised in the financial statements

The principal accounting policies adopted in the preparation of the financial statements are set out below. These accounting policies have been consistently applied by the Company during the year.

3.2 Functional and foreign currencies

3.2.1 Functional and presentation currency

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates, which is the functional currency.

The financial statements are presented in US dollar ("USD"), which is the Company's functional and presentation currency.

For the sole regulatory purpose of complying with the National Bank of Cambodia's Prakas No. B7-07-164 dated 13 December 2007, a translation to Khmer Riel ("KHR") is provided for the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements as of and for the year ended 31 December 2022 using the official rates of exchange published by the National Bank of Cambodia as at the reporting dates. Assets and liabilities are translated at the closing rate as at the reporting date and equity is translated at historical rate. The statements of profit or loss and other comprehensive income and cash flows are translated into KHR using the average rate for the year. Such translation amounts are unaudited and should not be construed as representations that the USD amounts represent, or have been or could be, converted into Khmer Riel at that or any other rate. Amounts in these financial statements expressed in Khmer Riel are translations of US Dollars amounts at rates set by the National Bank of Cambodia.

The financial statements are presented in KHR based on the following applicable exchange rates per USD:

			Closing rate	Average rate
31 December 2022	US\$1	=	KHR4,117	KHR4,087
31 December 2021	US\$1	=	KHR4,074	KHR4,068

Amounts in the financial statements have been rounded off to the nearest dollar and nearest thousand for USD and KHR amounts, respectively.

3.2.2 Foreign currencies transactions and balances

Transactions in currencies other than the Company's functional currency (foreign currencies) are recorded in the functional currency using the exchange rates prevailing at the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of each reporting period. Non-monetary items carried at the fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in the terms of historical cost in a foreign currency are not translated.

3.3 Intangible assets

Intangible asset (software, branding licenses) is initially recognised at cost and subsequent measured at cost less accumulated amortisation (straight-line method) 20%.

Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

3.4 Property and equipment

All items of property and equipment are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset and other cost directly attributable to bringing the asset to working condition for its intended use. Freehold land is stated at cost less impairment losses, if any and is not depreciated.

Subsequent to initial recognition, property and equipment are stated at cost less accumulated depreciation and any impairment losses.

Depreciation

Depreciation is calculated using the straight-line method at the annual rates as follows:

Vehicles	20%
Leasehold improvement	20%-33%
Furniture and fixtures	30%-33%
Computer equipment	33%

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the terms of property and equipment.

An item of property, plant, and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of comprehensive income in the year which the asset is disposed of.

Impairment testing of property and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, Management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by Management.

All assets are periodically reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge would be reversed if the cash-generating unit's recoverable amount exceeded its carrying amount.

3.5 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks which are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

3.6 Deposits and placements with National Bank of Cambodia

Deposits and placements with the NBC, including statutory deposits, are stated at cost. A statutory deposit is maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and is determined by defined percentages of minimum share capital as required by the NBC and are not available to finance the Company day-to-day operations. Hence, statutory deposit is not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

3.7 Deposits and placements with banks

Deposits and placement with banks are stated at cost. The Company provides allowance for impairment losses for placements with banks at 1%, in accordance with Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions.

3.8 Loans to customers

Loans to customers are recognized initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Loans to customers are stated at the amount of principal plus accrued interest less allowance for bad and doubtful loans.

Loans are written off to profit or loss 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 disclosed as other operating income in of profit or loss.

3.9 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.

3.10 Impairment of non-financial assets

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, Management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by Management.

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) 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 cash-generating unit'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 (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

All assets are periodically reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge would be reversed if the cash-generating unit's recoverable amount exceeded its carrying amount.

3.11 Borrowing and other liabilities

Borrowing and other liabilities are recognised initially at the transaction price (including transaction costs) and subsequently measured at amortised cost using the effective interest method.

3.12 Equity reserves, and retained earnings and dividend payments

Share capital represents the nominal value of shares that have been issued. Retained earnings include all current and prior years' profits.

Dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of the shareholders.

3.13 Regulatory Provision

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

Classification	Number of days past due	Provision rate
Short term loans (less than or equal one year):		
Normal/Standard	0 to 14 days	1%
Special mention	15 days to 30 days	3%
Substandard	31 days to 60 days	20%
Doubtful	61 days to 90 days	50%
Loss	From 91 days	100%
Long term loans (more than one year):		
Normal/Standard	0 to 29 days	1%
Special mention	30 days to 89 days	3%
Substandard	90 days to 179 days	20%
Doubtful	180 days to 359 days	50%
Loss	From 360 days	100%

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

- In case the regulatory provision calculated in accordance with the said Prakas is lower than the provision calculated in accordance with CIFRS for SMEs, the Company shall record the provision calculated in accordance with CIFRS for SMEs.
- In case the regulatory provision calculated in accordance with the said Prakas is higher than the provision calculated in accordance with CIFRS for SMEs, the Company shall record the provision calculated in accordance with CIFRS for SMEs and transfer the difference, which represents the additional provision required, from retained earnings or accumulated losses account into regulatory reserve in the equity section of the statement or financial position.

4

3.14 Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in profit or loss include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

3.15 Fees and commission income and expense

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate. Loan processing fee income are recognised as income over the term period of the loan to customer.

Unamortised loan fees are recognized as unearned income.

3.16 Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease commitments are not recognised as liabilities until the obligation to pay becomes due.

3.17 Income taxes

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

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the 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. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are generally provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

3.18 Employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

3.19 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Parties are considered to be related to the Company if:

- directly or indirectly, a party controls, is controlled by, or is under common control with the Company; has an interest in the Company that gives it significant influence over the Company; or has joint control over the Company;
- a party is a jointly-controlled entity;
- a party is an associate;
- a party is a member of the key management personnel of the Company; or
- a party is a close family member of the above categories.

4. Cash on hand

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
US Dollars	39,109	161,012	11,174	45,523
Khmer Riels	9,617	39,593	-	-
	48,726	200,605	11,174	45,523

5. Deposits and placements with banks

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
In Cambodia:				
Saving accounts	129,122	531,595	9,164	37,334
	129,122	531,595	9,164	37,334
Less: Allowance for impairment losses	(1,291)	(5,315)	-	-
	127,831	526,280	9,164	37,334

Movements in the impairment loss allowance are as follows:

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
In Cambodia:				
At 01 January	-	-	-	-
Net remeasurement of allowances	1,291	5,276	-	-
Translation differences	-	39	-	-
At 31 December	1,291	5,315	-	-

The above deposit and placements amount are analyses as follow:

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
By currency:				
Khmer Riels	127,764	526,004	9,164	37,334
US Dollars	1,358	5,591	-	-
	129,122	531,595	9,164	37,334

6. Deposits and placements with NBC

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
Capital guarantee deposit*	20,462	84,242	20,677	84,238
	<u>20,462</u>	<u>84,242</u>	<u>20,677</u>	<u>84,238</u>

(*) The capital guarantee deposit is maintained with the NBC in compliance with prakas No B7-00-006 on the Licensing of Microfinance Institutions, the amount of which are determined at 5% of the company's registered share capital. The guarantee deposit is refundable when the Company voluntarily liquidates and has no deposit liabilities. The capital guarantee deposit earns no interest.

7. Loans to customers

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
Short term	2,308,271	9,503,152	1,785,661	7,274,783
Long term	13,006	53,545	48,586	197,939
Gross loans at amortised cost	<u>2,321,277</u>	<u>9,556,697</u>	<u>1,834,247</u>	<u>7,472,722</u>
Less: Allowance for impairment losses	(8,815)	(36,291)	(19,353)	(78,844)
Net loans and advances	<u>2,312,462</u>	<u>9,520,406</u>	<u>1,814,894</u>	<u>7,393,878</u>

Movements in the impairment loss allowance are as follows:

At 01 January	19,353	78,844	16,203	65,541
Net remeasurement of allowances	(10,538)	(43,069)	3,150	12,833
Translation differences	-	516	-	470
At 31 December	<u>8,815</u>	<u>36,291</u>	<u>19,353</u>	<u>78,844</u>

The Loans and advances are analysed as follows:

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
a) By maturity:				
Within 1 year	12,906	53,134	13,686	55,759
1 to 5 years	1,875,124	7,719,885	1,640,241	6,682,345
Over 5 years	433,247	1,783,678	180,320	734,618
	<u>2,321,277</u>	<u>9,556,697</u>	<u>1,834,247</u>	<u>7,472,722</u>

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
b) By industry:				
Transportation	1,151,459	4,740,557	1,413,731	5,759,539
Construction	445,698	1,834,939	18,782	76,518
Trade and commerce	127,123	523,365	130,927	533,397
Agriculture	76,993	316,980	12,568	51,202
Service	54,602	224,796	258,239	1,052,066
Personal	4,896	20,157	-	-
Others	460,506	1,895,903	-	-
	<u>2,321,277</u>	<u>9,556,697</u>	<u>1,834,247</u>	<u>7,472,722</u>

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
c) By currency:				
US Dollars	2,306,400	9,495,448	1,834,247	7,472,722
Khmer Riels	14,877	61,249	-	-
	2,321,277	9,556,697	1,834,247	7,472,722

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
d) By residency status:				
Residents	2,321,277	9,556,697	1,834,247	7,472,722
	2,321,277	9,556,697	1,834,247	7,472,722

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
e) By relationship:				
External customers	2,321,277	9,556,697	1,833,747	7,470,685
Staff loans	-	-	500	2,037
	2,321,277	9,556,697	1,834,247	7,472,722

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
f) By performance and security				
Standard loans:				
Secured	2,304,187	9,486,338	1,815,822	7,397,658
Special mention:				
Secured	-	-	14,647	59,672
Substandard loans:				
Secured	7,600	31,289	3,778	15,392
Doubtful loans:				
Secured	9,490	39,070	-	-
Loss loans:				
Secured	-	-	-	-
	2,321,277	9,556,697	1,834,247	7,472,722

	As at 31 December 2022		As at 31 December 2021	
	18%	18%	18%	18%
g) By interest rate (per annum):				
Individual loan	18%	18%	18%	18%

8. Other assets

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
Accrued interest receivable	24,656	101,509	25,598	104,286
Prepayments	4,930	20,297	1,184	4,824
Rental deposit	3,000	12,351	2,700	11,000
Other advances	200	823	-	-
Other receivables	-	-	23,750	96,757
	32,786	134,980	53,232	216,867

[The remainder of this page was left intentionally blank]

9. Property and equipment

	Leasehold improvement	Office computer and equipment	Furniture and fixture	Vehicles	Total
Cost	USD	USD	USD	USD	USD
At 01 January 2022	2,497	9,868	14,677	7,258	34,300
Additions	1,440	230	700	-	2,370
Reclassification	(1,497)	-	1,727	(230)	-
At 31 December 2022	2,440	10,098	17,104	7,028	36,670
Accumulated depreciation					
At 01 January 2022	1,986	9,018	13,419	7,085	31,508
Depreciation	463	465	587	276	1,791
Reclassification	(1,414)	-	1,747	(333)	-
At 31 December 2022	1,035	9,483	15,753	7,028	33,299
Carrying amount					
At 31 December 2022	1,405	615	1,351	-	3,371
In KHR'000	5,784	2,533	5,561	-	13,878

	Leasehold improvement	Office computer and equipment	Furniture and fixture	Vehicles	Total
Cost	USD	USD	USD	USD	USD
At 01 January 2021	2,497	9,598	14,677	9,203	35,975
Additions	-	840	-	-	840
Disposal	-	(570)	-	(1,945)	(2,515)
At 31 December 2021	2,497	9,868	14,677	7,258	34,300
Accumulated depreciation					
At 01 January 2021	1,154	8,525	12,577	8,682	30,938
Depreciation	832	991	842	348	3,013
Disposal	-	(498)	-	(1,945)	(2,443)
At 31 December 2021	1,986	9,018	13,419	7,085	31,508
Carrying amount					
At 31 December 2021	511	850	1,258	173	2,792
In KHR'000	2,082	3,463	5,125	705	11,375

10. Intangible asset

	Computer software	Total
Cost	USD	USD
At 01 January 2022	3,550	3,550
Additions	2,750	2,750
At 31 December 2022	6,300	6,300
Amortisation		
At 01 January 2022	1,778	1,778
Amortisation	996	996
At 31 December 2022	2,774	2,774
Carrying amount		
At 31 December 2022	6,300	3,526
In KHR'000	25,937	14,517
	Computer software	Total
Cost	USD	USD
At 01 January 2021	3,550	3,550
At 31 December 2021	3,550	3,550
Amortisation		
At 01 January 2021	1,069	1,069
Amortisation	709	709
At 31 December 2021	1,778	1,778
Carrying amount		
At 31 December 2021	1,772	1,772
In KHR'000	7,219	7,219

11. Other liabilities

	As at		As at	
	31 December 2022		31 December 2021	
	USD	KHR'000	USD	KHR'000
Unearned income	17,648	72,657	4,250	17,315
Collection from customer in advance	11,334	46,661	-	-
Accrued interest payables	10,502	43,237	7,176	29,235
Accrued professional fee	5,714	23,525	5,000	20,370
Accrued expenses	4,223	17,386	3,582	14,593
Other tax payables	3,682	15,159	2,558	10,421
	53,103	218,625	22,566	91,934

12. Share capital

As at 31 December 2022 and 2021, the Company's registered capital are as follows:

	As at			
	31 December 2022 & 2021			
	% Of ownership	Number of shares	USD	KHR'000
Mr. Dy Sitha	27%	114,720	114,720	458,880
Mr. Lak Chin Savath	24%	100,000	100,000	400,000
Ms. Chen Sopheap	19%	81,480	81,480	325,920
Mr. Thuch Panhchak Kampoul	18%	75,000	75,000	300,000
Mr. Prak Oudamsambath	12%	50,000	50,000	200,000
	100%	421,200	421,200	1,684,800

13. Regulatory reserve

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
At 1 January	-	-	-	-
Transfer from/(to) retained earnings	20,492	83,751	-	-
At 31 December	20,492	83,751	-	-

As at 31 December 2022, the regulatory provision calculation is USD 26,307 which is USD 20,492 higher than the required provision per CIFR for SMEs of USD 8,815. As such, in the compliance with Prakas No. 7-017-344 Article 73(b), USD 20,492 regulatory reserve is transferred from retained earnings.

14. Borrowings

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
Non-related parties*	1,517,637	6,248,112	1,301,532	5,302,441
Forbes Asset Management Ltd.*	300,000	1,235,100	-	-
Camma Microfinance Limited**	77,644	319,660	-	-
	1,895,281	7,802,872	1,301,532	5,302,441

*The borrowing from non-related parties and Forbes asset management are bears annual interest at 10-12% and repayable on maturity date ranging from 1-5 years.

**The borrowing from Camma Microfinance bear annual interest at 10% and repayable on 22 November 2029.

15. Interest income

The company's interest income is earned by providing loan to customers.

16. Interest expense

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	USD	KHR'000	USD	KHR'000
Related parties	778	3,180	8,276	33,667
Non-related parties	185,637	758,698	146,646	596,556
	186,415	761,878	154,922	630,223

17. Other operating income

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	USD	KHR'000	USD	KHR'000
Fee and commission on loans	77,816	318,034	15,333	62,375
Penalty income	5,401	22,074	5,022	20,429
Other operating income	4,719	19,286	8,126	33,057
Loan and monitoring fee	-	-	101,005	410,888
	87,936	359,394	129,486	526,749

18. Allowance for impairment losses

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	USD	KHR'000	USD	KHR'000
Loans to customers	(10,538)	(43,068)	3,150	12,814
Deposit placements with other banks	1,291	5,276	-	-
	(9,247)	(37,792)	3,150	12,814

19. Employee expenses

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	USD	KHR'000	USD	KHR'000
Salary expense	112,224	458,659	96,645	393,152
Bonus expenses	8,207	33,542	8,364	34,025
Incentive expenses	7,765	31,736	8,467	34,444
Uniform expenses	1,035	4,230	630	2,563
Other employee expenses	5,510	22,519	1,284	5,223
	134,741	550,686	115,390	469,407

20. General and administrative expenses

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	USD	KHR'000	USD	KHR'000
Rental expense	19,068	77,931	17,795	72,390
Transportation expense	12,915	52,784	14,529	59,104
Membership fee	6,744	27,563	5,118	20,820
Professional fee	5,122	20,934	5,000	20,340
Office supplies	4,345	17,758	3,764	15,312
Repaired and maintenance expense	3,620	14,795	792	3,222
Loss on exchange rate	2,566	10,487	-	-
Depreciation expense	2,011	8,219	3,013	12,257
Communication expense	2,082	8,509	1,801	7,326
Utilities expense	1,798	7,348	1,612	6,558
Amortisation expense	996	4,071	709	2,884
License fee	797	3,257	786	3,197
Marketing and advertising expense	216	883	51	207
Entertainment expense	51	208	1,371	5,577
Other expenses	31,685	129,496	25,757	104,781
	94,016	384,243	82,098	333,975

[The remainder of this page was left intentionally blank]

2

21. Income taxes

a) Income tax payable

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
At 01 January	15,542	63,318	20,687	84,155
Current income tax expense	17,595	71,911	16,690	67,895
Income tax paid during the year	(20,431)	(83,501)	(21,835)	(88,825)
Translation difference	-	583	-	93
At 31 December	12,706	52,311	15,542	63,318

b) Income tax expense

In accordance with Cambodian Law on Taxation, the Company has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenue, whichever is higher.

A reconciliation of income tax expense applicable to the Profit before tax at the corporate tax rate to income tax expense at the effective tax of the Company is as follows:

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	USD	KHR'000	USD	KHR'000
Profit before tax	70,792	361,238	71,546	291,048
Add: Non-deductible expenses	43,964	181,000	5,409	(12,320)
Less: Deductible tax expense	(3,835)	(15,789)	(3,028)	22,005
Other tax reconciliation	(22,946)	(166,894)	-	-
Estimated taxable income at 20% (A)	17,595	71,911	14,309	67,895
Minimum tax at 1% of revenue (B)	4,943	20,202	4,271	3,039
Estimated current income tax expense (Higher of A or B)	17,595	71,911	16,690	67,895

22. Tax contingencies

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 in the financial statements could be changed at a later date upon final determination by the tax authorities.

23. Related parties' balance and transactions

The following balances are outstanding with related parties:

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
Borrowings				
Mr. Thuch Panhchak Kampoul	5,000	20,585	31,000	127,627
Mr. Lak Chin Savath	50,000	205,850	50,000	205,850
Mrs. Chen Sopheap	15,000	61,755	-	-
	70,000	288,190	81,000	333,477

The Company had the following transactions with related party during the financial year:

	As at 31 December 2022	
	USD	KHR'000
Borrowing		
Mr. Thuch Panhchak Kampoul		
At 01 January	21,000	85,827
Proceed of loan	15,000	61,305
Repayment	(31,000)	(126,697)
Currency translation differences	-	150
At 31 December	5,000	20,585

Borrowing	As at	
	31 December 2022	
	USD	KHR'000
Mr. Lak Chin Savath		
At 01 January	50,000	204,350
Proceed of loan	11,721	47,904
Repayment	(11,721)	(47,904)
Currency translation differences	-	1,500
At 31 December	50,000	205,850

Borrowing	As at	
	31 December 2022	
	USD	KHR'000
Mrs. Chen Sopheap		
At 01 January	-	-
Proceed of loan	59,559	243,418
Repayment	(44,559)	(182,113)
Currency translation differences	-	450
At 31 December	15,000	61,755

The borrowings from shareholders are unsecured, bear interest at rates of 12% per annum and repayable on maturity dates ranging from 6 to 12 months.

24. Lease commitment

	As at		As at	
	31 December 2022		31 December 2021	
	USD	KHR'000	USD	KHR'000
Within one year	10,000	41,170	5,056	20,596
Two to five years	25,834	106,357	-	-
	35,834	147,527	5,056	20,596

25. Categories of financial instruments

	As at		As at	
	31 December 2022		31 December 2021	
	USD	KHR'000	USD	KHR'000
Financial assets				
<u>Amortised Cost</u>				
Cash on hand	48,726	200,605	11,174	45,523
Deposits and placements with NBC	20,462	84,242	20,677	84,238
Deposits and placements with banks	127,831	531,595	9,164	37,334
Loans to customers	2,321,277	9,556,697	1,834,247	7,472,722
Other assets*	27,856	114,683	52,048	212,043
	2,546,152	10,487,822	1,927,310	7,851,860
Financial liabilities				
<u>Amortised Cost</u>				
Amount due to related parties	70,000	288,190	81,000	333,477
Borrowing	1,895,281	7,483,212	1,301,532	5,302,441
Other liabilities**	35,455	145,968	18,316	74,619
	2,000,736	7,917,370	1,400,848	5,710,537

*Excludes prepayment

**Excludes unearned income

26. Financial risk management

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

a) Credit risks

Credit risk is the potential loss of revenue and principal losses in the form of specific allowances 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 customers. The amount of credit exposure in this regard is represented by the carrying Amount of the assets on the statement of financial position. 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 loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes and procedures implemented to ensure compliance with NBC Guidelines.

The company holds collateral against loans to customers in the form of mortgage interests over property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are updated except when a loan is individually assessed as doubtful.

i. Credit risk measurement

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

ii. Risk limit control and mitigation policies

The company manage limits and controls the concentration of credit risk whenever it is identified.

The company employs a range of policies and practices to mitigate credit risks. The most traditional of these is the taking of security in the form of collateral for loan to customers, which is a common practice, the company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types that the company accepts to secure for loans to customers are:

- Mortgages over residential properties (land, building and other properties); and
- Charges over business assets such as land and buildings.

iii. Exposure to credit risk with regards to loans to customers

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
Loan to customers				
Neither past due nor impaired	2,304,187	9,486,338	1,815,822	7,397,658
Past due but not impaired	17,090	70,359	18,425	75,064
Individually impaired	-	-	-	-
	2,321,277	9,556,697	1,834,247	7,472,722

Neither past due nor impaired

Neither past due nor impaired loans to customers are good quality loans to customers for which there is no experience of default. These loans are supported by collaterals and management views that likelihood of default is relatively low.

Past due but not impaired loans

Past due but not impaired loans to customers are those for which contractual interest or principal payments that are past due less than 30 days for short-term loans and 90 days for long-terms loans, unless other information is available to indicate otherwise.

Impaired loans

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.

In compliance with NBC Guidelines, an allowance for doubtful loans to customers is made for loans to customers with payment overdue more than 30 days for short-term loans and 89 days for long-term loans. A minimum level of specific allowance for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty.

b) Operational risk

The operational risk losses 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 control and support units which are independent of the business units and oversight provided by the Management.

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 continually to address the operational risks of its micro-finance business.

c) 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.

i. Foreign currency exchange risk

The Company revenue is principally earned in USD. The Company expenditure is principally paid in USD. Monetary assets and liability are significantly dominated in USD. The Company does not therefore have significant exposure to foreign currency risk.

ii. Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rates and shifts in the composition of the assets and liabilities. The exposure to interest rate risk relate primarily to its loans.

Since the majority of financial assets are not subject to significant 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.

	>1-12 months USD	>1-5 years USD	Over 5 years USD	Non-interest bearing USD	Total USD	Interest rates %
2022						
Financial assets						
Cash on hand	-	-	-	48,726	48,726	
Deposits and placements with NBC	-	-	-	20,462	20,462	
Deposits and placements with banks	-	-	-	127,831	127,831	
Loans to customers	12,906	1,875,124	433,247	-	2,321,277	18%
Other assets*	-	-	-	27,856	27,856	
Total financial assets	12,906	1,875,124	433,247	224,875	2,546,152	
Financial liabilities						
Amount due to related parties	70,000	-	-	-	70,000	12%
Borrowing from shareholder	-	1,595,281	-	-	1,595,281	10-12%
Other liabilities**	-	-	-	35,455	35,455	
Total financial liabilities	70,000	1,595,281	-	35,455	1,700,736	
 Total interest pricing gap	 (57,094)	 279,842	 433,247	 189,420	 845,416	
In KHR'000	(235,054)	1,152,111	1,783,678	779,842	3,480,577	

*Excludes prepayment

**Excludes unearned income

[The remainder of this page was left intentionally blank]

	>1-12 months USD	>1-5 years USD	Over 5 years USD	Non-interest bearing USD	Total USD	Interest rates %
2021						
Financial assets						
Cash on hand	-	-	-	11,174	11,174	
Deposits and placements with NBC	-	-	-	20,677	20,677	
Deposits and placements with banks	-	-	-	9,164	9,164	
Loans to customers	13,687	1,640,230	180,330	-	1,834,247	18%
Other assets*	-	-	-	52,048	52,048	
Total financial assets	13,687	1,640,230	180,330	93,063	1,927,310	
Financial liabilities						
Amount due to related parties	81,000				81,000	12%
Borrowing from shareholder	-	1,301,532	-	-	1,301,532	10-12%
Other liabilities**	-	-	-	18,316	18,316	
Total financial liabilities	81,000	1,301,532	-	18,316	1,400,848	
 Total interest pricing gap In KHR'000	 (67,313) (274,233)	 338,698 1,379,856	 180,330 734,664	 74,747 304,519	 526,462 2,144,806	

*Excludes prepayment

**Excludes unearned income

[The remainder of this page was left intentionally blank]

d) 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 and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

The following table provide an analysis of financial assets and liabilities of the Company into relevant maturity grouping, including instalments due:

	>1-12 months USD	>1-5 years USD	Over 5 years USD	No fixed maturity date USD	Total USD
2022					
Financial asset					
Cash on hand	-	-	-	48,726	48,726
Deposits and placements with NBC	-	-	-	20,462	20,462
Deposits and placements with banks	-	-	-	127,831	127,831
Loans to customers	12,906	1,875,124	433,247	-	2,321,277
Other assets*	-	-	-	27,856	27,856
Total financial assets	12,906	1,875,124	433,247	224,875	2,546,152
Financial liabilities					
Amount due to related parties	70,000	-	-	-	70,000
Borrowings	-	1,595,281	-	-	1,595,281
Other liabilities**	-	-	-	35,455	35,455
Total financial liabilities	70,000	1,595,281	-	35,455	1,700,736
Net liquidity surplus (gap)	(57,094)	279,842	433,247	189,420	845,416
In KHR'000	(235,054)	1,152,111	1,783,678	779,842	3,480,577

*Excludes prepayment

**Excludes unearned income

[The remainder of this page was left intentionally blank]

	>1-12 months USD	>1-5 years USD	Over 5 years USD	No fixed maturity date USD	Total USD
2021					
Financial asset					
Cash on hand	-	-	-	11,174	11,174
Deposits and placements with NBC	-	-	-	20,677	20,677
Deposits and placements with banks	-	-	-	9,164	9,164
Loans to customers	13,687	1,640,230	180,330	-	1,834,247
Other assets*	-	-	-	52,048	52,048
Total financial assets	13,687	1,640,230	180,330	93,063	1,927,310
Financial liabilities					
Amount due to related parties	81,000				81,000
Borrowings	-	1,301,532	-	-	1,301,532
Other liabilities**	-	-	-	18,316	18,316
Total financial liabilities	81,000	1,301,532	-	18,316	1,400,848
Net liquidity surplus (gap)	(67,313)	338,698	180,330	74,747	526,462
In KHR'000	(274,233)	1,379,856	734,664	304,519	2,144,806

*Excludes prepayment

**Excludes unearned income

e) Capital management

i. 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 and the Company recognised 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 has complied with all externally imposed capital requirements throughout the year.

ii. 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.

27. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and date of authorisation of these financial statements.

28. Authorisation of the financial statements

The financial statements for the year ended 31 December 2022 were authorised for issue by the director on 28 June 2023.