



សំរិទ្ធិស័ក

SAMRITHISAK

ដើម្បីអាជីវកម្មឈានមុខគេជានិច្ច!



ANNUAL REPORT 2020



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SAMRITHISAK – VISION AND MISSION



VISION

Samrithisak’s vision is the first choice of customers and leading microfinance institution in providing microfinance services.



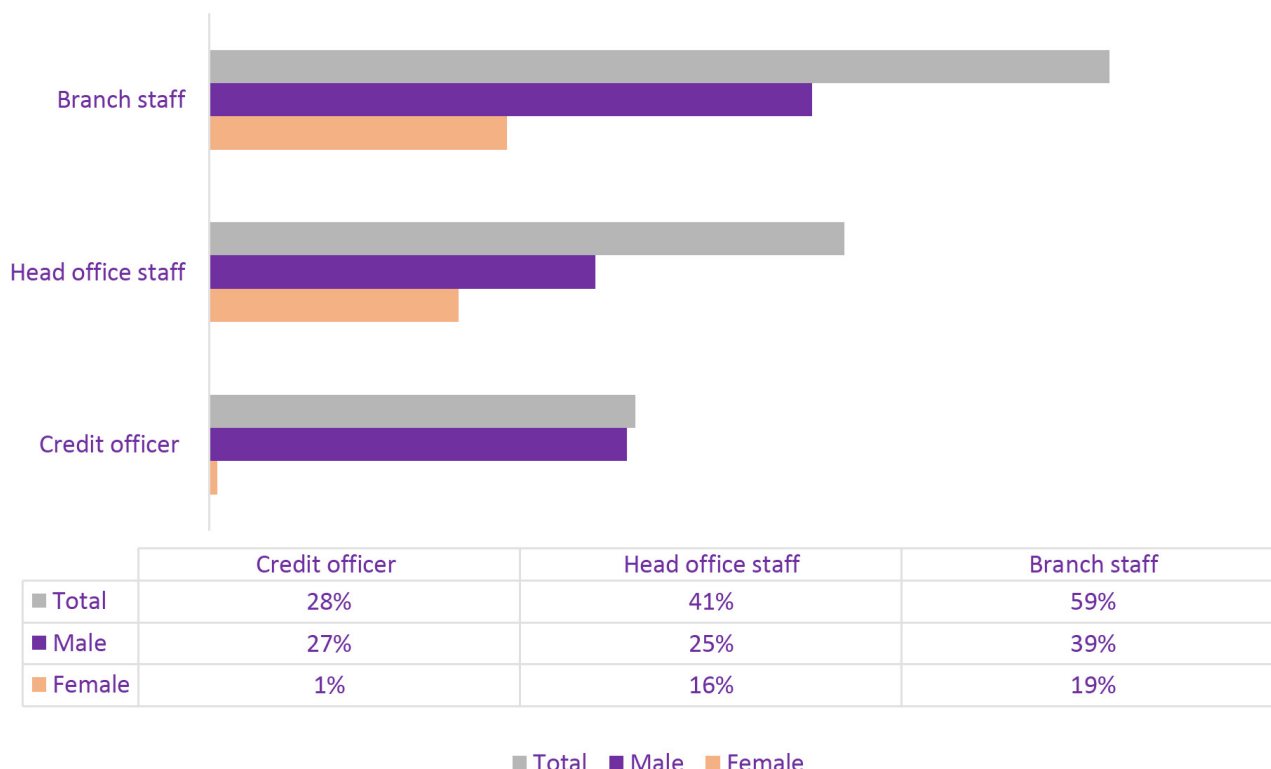
MISSION

Provide opportunities for people to improve their lives through Samrithisak Microfinance Limited services that are competitive equality and ensuring sustainable and interests of customers, shareholders, employees and society.

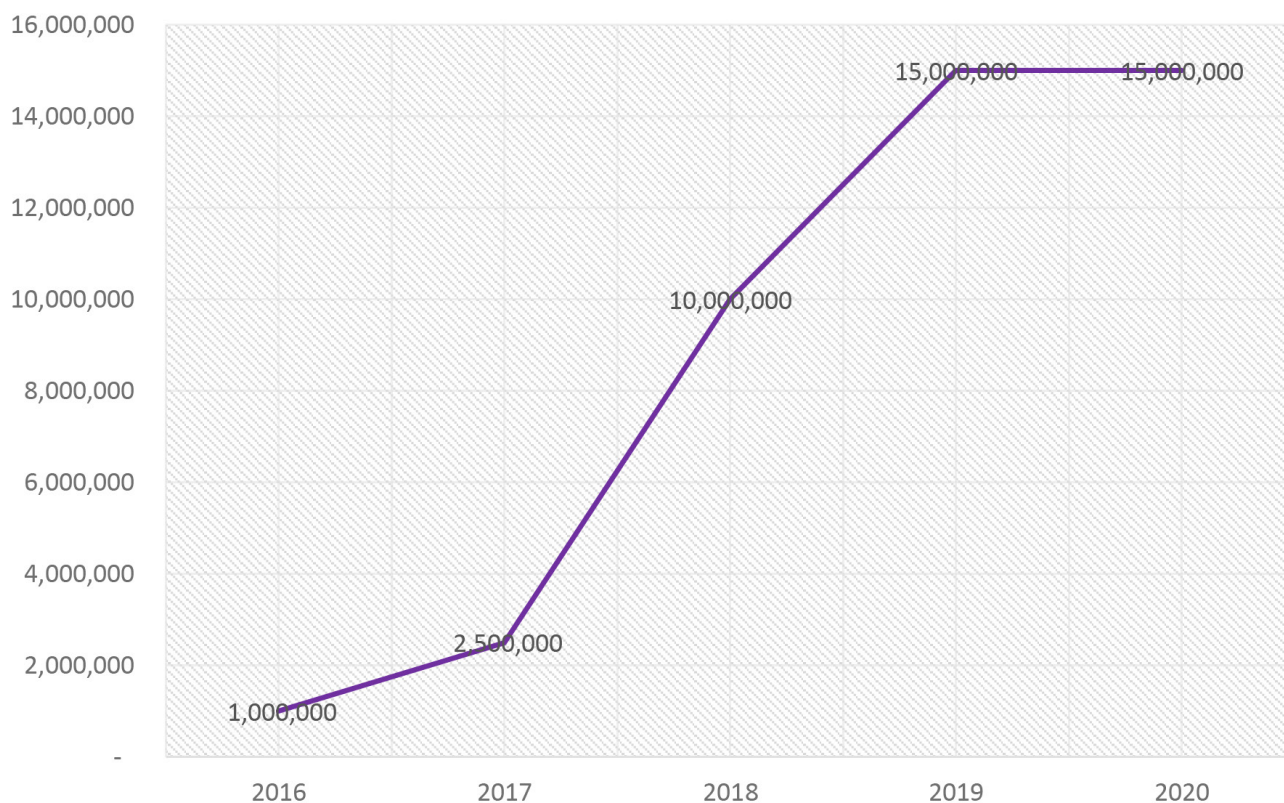
COMPANY SUMMARY

Name of Company : SAMRITHISAK Microfinance Limited
 Business Type : Private Limited Company
 Resister Number : 00032489
 Registration Office : 502G - 502H, Monivong Boulevard, Sangkat Tonle Basac, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia
 Auditor : PricewaterhouseCoopers (Cambodia) Ltd.
 Employee : 191

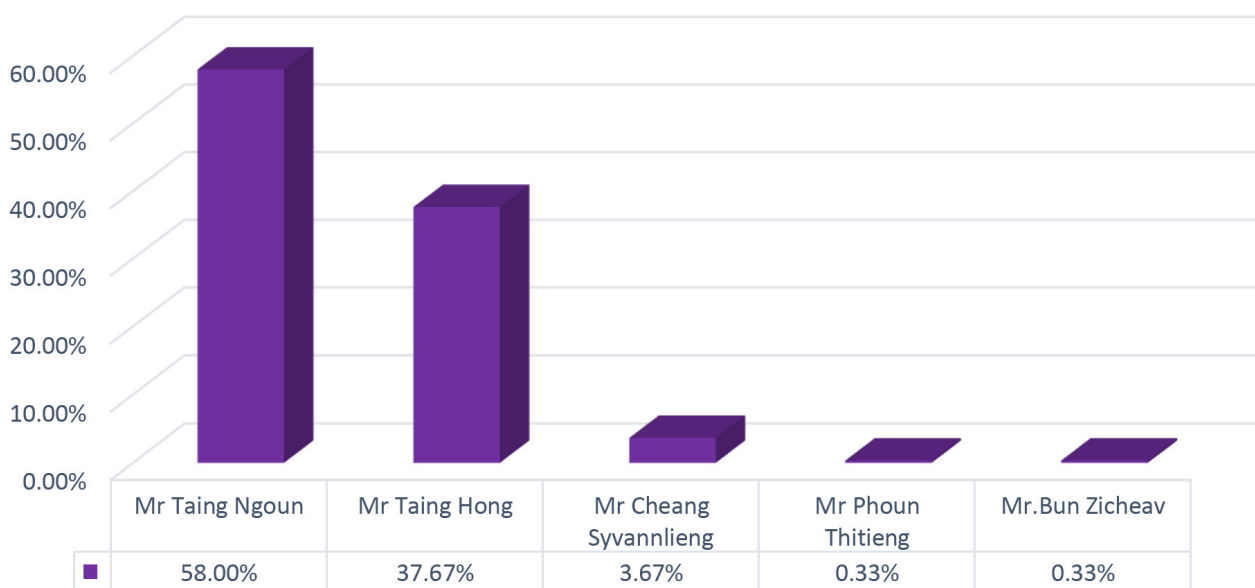
STAFF INFORMATION:



PAID UP CAPITAL



KEY SHAREHOLDER



SAMRITHISAK – OVERVIEW

SAMRITHISAK Microfinance Limited was established on 01 June 2010. The project was created in order to help the economic development, increase in income generation, establishment and expansion of services to poor people. SAMRITHISAK had been established under an initiative concept of MR. TAING NGOUN and other 4 Cambodian investors in order to help institution more sufficient capital and equity in the Business of providing the financial facility service to customers with small business, businessmen, entrepreneurs, craftsmen, vendors, service consultants, farmers and own family business. Since June 2010, SAMRITHISAK has obtained a license as a MFI from the National Bank of Cambodia with the official name:

SAMRITHISAK Microfinance Limited and has been registered capital for US 500,000.00 (Five hundred thousand dollars). On 30 September 2010, SAMRITHISAK has been invested more capital up to USD 1,000,000.00 (One million dollars). Replying to the strongly demands of customers in financial service, SAMRITHISAK also decided to invest more capital up to USD 15,000,000.00 (Fifteen millions dollars) on 24 June 2019 to made more enough abilities to serve the credit service to their customers.

SAMRITHISAK has been established in valued purpose to facilitate poor people who have no ability to request for financial service from the Commercial banks as more capital to run and expand their business.



FINANCIAL PERFORMANCE (CIFRS DATA)

In USD	2020	2019	2018
Total Income	4,408,242	4,485,812	3,466,933
Total Expense	3,829,853	3,883,745	2,898,426
Profit/Loss	578,389	602,067	568,507
Total Asset	29,968,819	30,893,958	24,755,253
Total liabilities	10,377,675	11,521,989	11,192,577
Total Equity	19,591,144	19,371,969	13,562,676
Paid up Capital	15,000,000	15,000,000	10,000,000
Return on Asset	2.03%	2.57%	2.88%
Return on Equity	3.30%	4.44%	5.34%
Loan outstanding	26,098,982.00	28,301,940	23,294,928
Clients	2100	2,621	2,877
Credit officer	53	62	69
Branch Office	6	5	5
PAR >30 days	234,029.73	79,739	113,998

LOAN CATEGORIES

BUSINESS LOAN

Business loan is a type of loan that customers use to expand their business or business operations and secure real estate such as land, houses, farms, plantations or stalls in the market.

Benefits gained:

- Loan amount up to \$ 200,000
- Loan term up to 6-84 months
- Interest rate is reasonable rate
- Collateral is required
- Fast approval.

Requirements:

- Customers are Cambodian nationality
- Be a majority aged 18 to 70 years old
- Permanent resident at Phnom Penh capital city or some provinces.

PERSONAL LOAN

Personal Loan is a loan provided to customers in cash to use for personal needs, such as: Buy real estate, furniture and many other items to support the living and improve the family economy.

Benefits gained:

- Loan amount up to \$ 50,000
- Loan term up to 6-84 months
- Interest rate is reasonable rate
- Collateral is required
- Fast approval.

Requirements:

- Customers are Cambodian nationality
- Be a majority aged 18 to 70 years old
- Permanent resident at Phnom Penh capital city or some provinces.

SPECIAL BUSINESS LOAN

Special Business Loan is a type of business loan that is provided to clients to be used for business expansion purposes or to be used as working capital in a timely manner and to improve the family life of the client. The value of the collateral is determined by the loan.

Benefits gained:

- Loan amount up to \$ 200,000
- Loan term up to 6-84 months
- Interest rate is reasonable rate
- Collateral is required
- Fast approval.

Requirements:

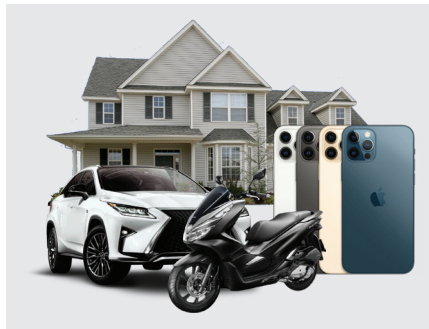
- Customers are Cambodian nationality
- Be a majority aged 22 to 60 year's old
- Permanent resident at Phnom Penh capital city or some provinces.

LOAN PRODUCT

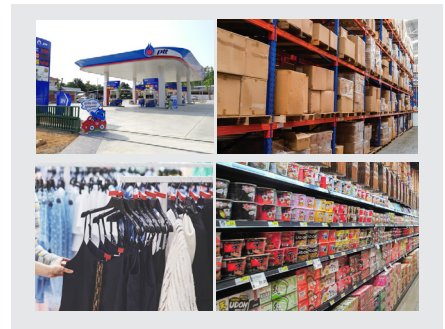
BUSINESS LOAN



PERSONAL LOAN



SPECIAL BUSINESS LOAN



BOARD OF DIRECTORS



TAING HONG [Chairman]

Mr. Taing Hong is a Chairman of the Board of Directors of SAMRITHISAK Microfinance in 2017. He was born in 1970, Cambodian nationality. He is a successful investor. He is a member of board of director of Mekong Cleaner Group Co., Ltd. and CFIS Co.,Ltd. He holds a bachelor's degree in Finance and Banking.



TAING NGOUN [Deputy Chairman & CEO]

Mr. Taing Ngoun is a deputy of chairman and CEO of SAMRITHISAK Microfinance. He was born in 1969, Cambodian nationality. He is a successful investor. He Was shareholder and Member of Mekong Cleaner Group Co., Ltd and CFIS Co.,Ltd. He holds a bachelor's degree in General Management.



CHEANG SIVANLIENG [Member]

Mr. Cheang Sivanlieng is a member of the Board of Directors of SAMRITHISAK Microfinance in 2010. He was born in 1955, Cambodian nationality. He is a successful investor. He was a shareholder and member of board of director of Mekong Cleaner Group Co., Ltd and CFIC Co., Ltd. He holds a Bachelor of Business Management.

EXECUTIVE MANAGER



Mr. TAING NGOUN [CHIEF EXECUTIVE OFFICER (CEO)]

Mr. Taing Ngoun is a deputy of chairman and CEO of SAMRITHISAK Microfinance. He was born in 1969, Cambodian nationality. He is a successful investor. He Was shareholder and Member of Mekong Cleaner Group Co., Ltd and CFIS Co.,Ltd.



Mr. BUN ZHICHEAV [DEPUTY CHIEF EXECUTIVE OFFICER (DCEO)]

Mr. Bun Zhicheav was born in 1980 in Kampong Cham Province. He joined SAMRITHISAK in 2010 as Deputy CEO. He obtained a Bachelor of Banking and Finance and Master's degree in General Management at BBU University. He has attended a number of management training courses. Before he joined SAMRITHISAK, he worked as a Chief of Marketing of THIASARA Co., Ltd in 2004 in Cambodia.

SAMRITHISAK – PARTNER



G-DIAMOND



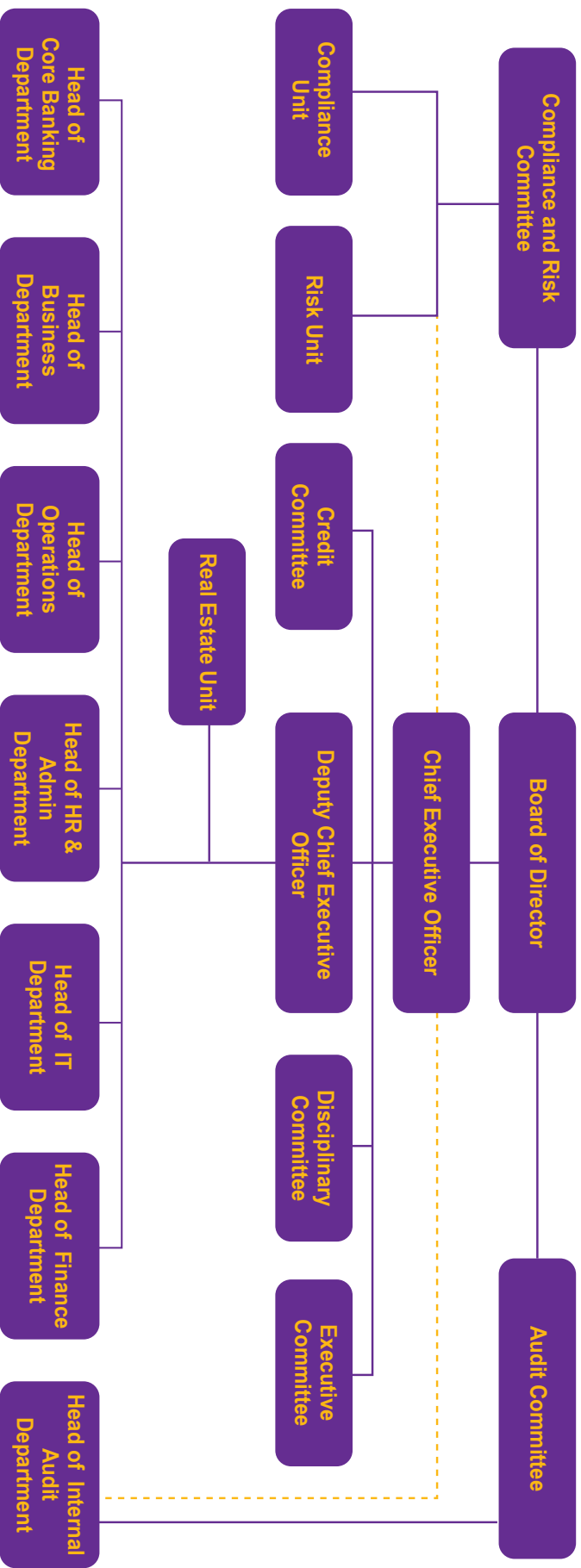
G-STAR
LOUNGE





ផ្ទះស្នាក់ ជួនធិស័ក មីក្រូហិរញ្ញវត្ថុ លីមីតធីត

SAMRITHISAK MICROFINANCE LIMITED




 CHAIRMAN BOARD OF DIRECTOR
តាំង-ព្យុទ

DIRECTORS' REPORT

The Board of Directors (“the Directors”) hereby submits its report together with the audited financial statements of Samrithisak Microfinance Limited (“the Company”) for the year ended 31 December 2020.

THE COMPANY

Samrithisak Microfinance Limited was incorporated as private limited company in the Kingdom of Cambodia under the registration number 00032489 dated 04 March 2010 with the Ministry of Commerce. On 25 May 2010, the Company obtained its license from the National Bank of Cambodia (“NBC or the Central Bank”) to operate as a microfinance institution.

PRINCIPAL ACTIVITIES

The Principal activity of the Company is to provide micro-finance services in order to contribute to the Cambodian socio-economic development with the purpose of upgrading living standards of people in the communities focusing on increasing income through promotion of business activities of small and medium enterprises, trades and rural agriculture using lending services with rational interest so as to ensure long term sustainability of the Company and its customers.

FINANCIAL PERFORMANCE

The financial performance for the year ended 31 December 2020 is set out in the statement of comprehensive income on page 8.

BAD AND DOUBTFUL FINANCIAL FACILITIES

Before the financial statements of the Company were drawn up, the Director took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad financial facilities and the making of allowance for bad and doubtful financial facilities, and satisfied themselves that all known bad financial facilities had been written off and that adequate allowance had been made for bad and doubtful financial facilities.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad financial facilities or the amount of allowance for doubtful financial facilities in the financial statements of the Company inadequate to any material extent.

ASSETS

Before the financial statements of the Company were drawn up, the Director took reasonable steps to ensure that any assets that were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances that would render the values attributed to the assets in the financial statements of the Company misleading in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

no charge on the assets of the Company that has arisen since the end of the year that secures the liabilities of any other person; and
no contingent liability in respect of the Company that has arisen since the end of the year other than in the ordinary course of business.

No contingent or other liabilities of the Company has become enforceable, or is likely to become enforceable within the period of 12 months after the end of the year which, in the opinion of the Board of Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company that would render any amount stated in the financial statements misleading in any material respect.

ITEMS OF AN UNUSUAL NATURE

There were no items, transactions or events of a material and unusual nature that, in the opinion of the Directors, materially affected the financial performance of the Company for the year ended 31 December 2020.

There has not arisen in the interval between the end of the 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 current year.

THE BOARD OF DIRECTORS

The members of the Board of Directors during the year and as at the date of this report are:

Mr. Taing Hong	: Chairman
Mr. Taing Ngoun	: Vice President
Mr. Cheang Sivanlieng	: Member
Mr. Yoeurn Bunyim	: Member

RESPONSIBILITIES OF THE BOARD OF DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are 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 2020 and its financial performance and cash flows for the year then ended. In preparing these financial statements, the Directors are required to:

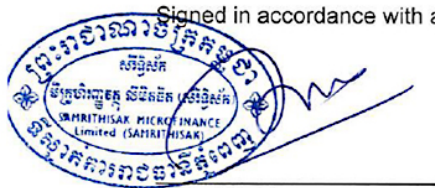
adopt appropriate accounting policies that are supported by reasonable and prudent judgements and estimates, and then apply them consistently; comply with the disclosure requirements of the Cambodian International Financial Reporting Standard for Small and Medium-sized Entities (“CIFRS for SMEs”) or, if there has been any departure from such standards in the interest of fair presentation, ensure that this has been appropriately disclosed, explained and quantified in the financial statements; maintain adequate accounting records and an effective system of internal controls; prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and effectively control and direct the Company and be involved in all material decisions affecting its operations and performance and ascertain that such matters 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.

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, together with the notes thereto, which present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with CIFRS for SMEs, were approved by the Board of Directors.

Signed in accordance with a resolution of the Board of Directors,



Mr. Taing Hong
Chairman

Phnom Penh, Kingdom of Cambodia

13 APR 2021

To the shareholders of Samrithisak Microfinance Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Samrithisak Microfinance Limited (the Company) as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities ("CIFRS for SMEs").

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Kampuchea Institute of Certified Public Accountants and Auditors' Code of Ethics for Certified Public Accountants and Auditors (KICPAA Code) that are relevant to our audit of the financial statements in Cambodia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the KICPAA Code.

Other information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is directors' report and supplementary financial information and other disclosures required by the National Bank of Cambodia but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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 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.

Responsibilities of management and those charged with governance for the financial statements

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 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, 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 scepticism 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 management.

Conclude on the appropriateness of management's 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's 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 those charged with governance 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.

For PricewaterhouseCoopers (Cambodia) Ltd.



By Lang Hy
Partner

Phnom Penh, Kingdom of Cambodia
13 April 2021

STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2020		31 December 2019	
		US\$	KHR'000	US\$	KHR'000
ASSETS					
Cash on hand		4,944	19,998	183,175	746,438
Balances with the Central Bank and other financial institutions	5	2,571,788	10,402,882	1,055,271	4,300,229
Loans and advances at amortised cost	6	26,098,982	105,570,382	28,301,940	115,330,406
Statutory deposits with the Central Bank	7	750,000	3,033,750	750,000	3,056,250
Other assets	8	22,208	89,831	37,646	153,407
Property and equipment	9	464,510	1,878,943	514,486	2,096,530
Intangible assets	10	9,159	37,048	10,280	41,891
Deferred tax assets	11(a)	47,228	191,037	41,160	167,727
TOTAL ASSETS		29,968,819	121,223,871	30,893,958	125,892,878
LIABILITIES AND EQUITY					
LIABILITIES					
Other liabilities	12	413,142	1,671,159	597,811	2,436,079
Borrowings	13	9,799,829	39,640,306	10,687,144	43,550,112
Current income tax liabilities	11(b)	149,179	603,429	217,458	886,141
Seniority payment obligations	14	15,525	62,799	19,576	79,772
TOTAL LIABILITIES		10,377,675	41,977,693	11,521,989	46,952,104
EQUITY					
Share capital	15	15,000,000	60,675,000	15,000,000	60,670,000
Capital contributions	16	1,373,774	5,556,916	1,732,988	7,001,413
Reserves	17	236,978	958,576	278,606	1,729,309
Retained earnings		2,980,392	12,055,686	2,360,375	9,540,052
TOTAL EQUITY		19,591,144	79,246,178	19,371,969	78,940,774
TOTAL LIABILITIES AND EQUITY		29,968,819	121,223,871	30,893,958	125,892,878

The accompanying notes on pages 11 to 31 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2020		2019	
		US\$	KHR'000	US\$	KHR'000
Interest income	18	4,359,301	17,772,870	4,450,902	18,035,055
Interest expense	19	(902,952)	(3,681,335)	(967,797)	(3,921,513)
Net interest income		<u>3,456,349</u>	<u>14,091,535</u>	<u>3,483,105</u>	<u>14,113,542</u>
Fee and commission income		4,194	17,099	3,622	14,676
Fee and commission expense		(27,067)	(110,352)	(14,003)	(56,740)
Net fee and commission expense		<u>(22,873)</u>	<u>(93,253)</u>	<u>(10,381)</u>	<u>(42,064)</u>
Allowances for impairment losses on loans and advances	20	(45,354)	(184,908)	(22,354)	(90,578)
Other operating income		44,747	182,434	31,288	126,779
Net other operating income/(loss)		<u>(607)</u>	<u>(2,474)</u>	<u>8,934</u>	<u>36,201</u>
Personnel expenses	21	(1,933,396)	(7,882,455)	(1,863,531)	(7,551,028)
Other operating expenses	22	(596,507)	(2,431,959)	(643,035)	(2,605,578)
Depreciation and amortisation charges		(141,642)	(577,474)	(119,532)	(484,344)
Operating profit		<u>761,324</u>	<u>3,103,920</u>	<u>855,560</u>	<u>3,466,729</u>
Income tax expenses	11(c)	(182,935)	(745,826)	(253,493)	(1,027,154)
Profit for the year		<u>578,389</u>	<u>2,358,094</u>	<u>602,067</u>	<u>2,439,575</u>
Other comprehensive income: <i>Items that will not be reclassified to profit or loss</i>					
Currency translation differences		-	(590,919)	-	906,686
Other comprehensive income for the year		<u>-</u>	<u>(590,919)</u>	<u>-</u>	<u>906,686</u>
Total comprehensive income for the year		<u>578,389</u>	<u>1,767,175</u>	<u>602,067</u>	<u>3,346,261</u>
Profit for the year attributable to:					
Owners of the Company		<u>578,389</u>	<u>2,358,094</u>	<u>602,067</u>	<u>2,439,575</u>
Total comprehensive income attributable to:					
Owners of the Company		<u>578,389</u>	<u>1,767,175</u>	<u>602,067</u>	<u>3,346,261</u>

The accompanying notes on pages 11 to 31 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company										
	Share capital		Capital contributions		Reserves		Retained earnings		Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Balance at 1 January 2019	10,000,000	40,410,000	1,525,762	6,161,733	222,205	594,086	1,814,709	7,329,014	13,562,676	54,494,833
Profit for the year	-	-	-	-	-	-	602,067	2,439,575	602,067	2,439,575
Currency translation differences	-	-	-	-	-	906,686	-	-	-	906,686
Total comprehensive income for the year	-	-	-	-	-	906,686	602,067	2,439,575	602,067	3,346,261
Transactions with the owners										
Capital injection	5,000,000	20,260,000	-	-	-	-	-	-	5,000,000	20,260,000
Capital contribution	-	-	207,226	839,680	-	-	-	-	207,226	839,680
Transfer to regulatory reserves	-	-	-	-	56,401	228,537	(56,401)	(228,537)	-	-
	5,000,000	20,260,000	207,226	839,680	56,401	228,537	(56,401)	(228,537)	5,207,226	21,099,680
As at 31 December 2019	15,000,000	60,670,000	1,732,988	7,001,413	278,606	1,729,309	2,360,375	9,540,052	19,371,969	78,940,774
Balance as at 1 January 2020	15,000,000	60,670,000	1,732,988	7,001,413	278,606	1,729,309	2,360,375	9,540,052	19,371,969	78,940,774
Profit for the year	-	-	-	-	-	-	578,389	2,358,094	578,389	2,358,094
Currency translation differences	-	-	-	-	-	(590,919)	-	-	-	(590,919)
Total comprehensive income for the year	-	-	-	-	-	(590,919)	578,389	2,358,094	578,389	1,767,175
Transactions with the owners										
Capital contribution (Note 16)	-	-	(359,214)	(1,455,535)	-	-	-	-	(359,214)	(1,455,535)
Transfer from regulatory reserves	-	-	-	-	(41,628)	(168,677)	41,628	168,677	-	-
Currency translation differences	-	5,000	-	11,038	-	(11,137)	-	(11,137)	-	(6,236)
	-	5,000	(359,214)	(1,444,497)	(41,628)	(179,814)	41,628	157,540	(359,214)	(1,461,771)
As at 31 December 2020	15,000,000	60,675,000	1,373,774	5,556,916	236,978	958,576	2,980,392	12,055,686	19,591,144	79,246,178

The accompanying notes on pages 11 to 31 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	2020		2019	
		US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities					
Profit before income tax		761,324	3,103,920	855,560	3,466,729
Adjustments for:					
Allowance for impairment losses on loans and advances		63,427	258,592	39,680	160,783
Depreciation charges	9	140,521	572,904	116,222	470,934
Amortisation charges	10	1,121	4,570	3,310	13,410
Employment seniority payment obligations		(4,051)	(16,973)	(1,752)	(7,099)
Unrealised exchange rate gain		(22,349)	(91,118)	(14,514)	(58,811)
Loss on disposal of property and equipment		-	-	1,409	5,709
Interest income		(4,359,301)	(17,772,870)	(4,450,902)	(18,035,055)
Interest expense		902,952	3,681,335	967,797	3,921,513
		(2,516,356)	(10,259,640)	(2,483,190)	(10,061,887)
Changes in:					
Loans and advances at amortised cost		2,118,328	8,636,424	(5,119,061)	(20,742,435)
Other assets		15,438	62,941	13,310	53,932
Other liabilities		(174,669)	(712,126)	453,898	1,839,195
Cash used in operations		(557,259)	(2,272,401)	(7,135,043)	(28,911,195)
Interest received		4,387,370	17,887,307	4,522,800	18,326,386
Interest paid		(800,304)	(3,262,839)	(631,631)	(2,559,369)
Income tax paid	11(b)	(257,282)	(1,048,939)	(268,594)	(1,088,343)
Net cash generated from/(used in) operating activities		<u>2,772,525</u>	<u>11,303,128</u>	<u>(3,512,468)</u>	<u>(14,232,521)</u>
Cash flows from investing activities					
Deposits with other financial institutions		(1,800,000)	(7,338,600)	-	-
Statutory deposits with Central Bank		-	-	(250,000)	(1,013,000)
Purchases of property and equipment	9	(90,545)	(369,152)	(152,050)	(616,107)
Purchases of intangible assets		(10,000)	(40,770)	(1,272)	(5,154)
Net cash used in investing activities		<u>(1,900,545)</u>	<u>(7,748,522)</u>	<u>(403,322)</u>	<u>(1,634,261)</u>
Cash flows from financing activities					
Proceeds from borrowings		1,760,373	7,177,041	8,373,901	33,931,047
Repayments of borrowings		(3,109,550)	(12,677,635)	(3,605,601)	(14,609,895)
Net cash (used in)/generated from financing activities		<u>(1,349,177)</u>	<u>(5,500,594)</u>	<u>4,768,300</u>	<u>19,321,152</u>
Net (decrease)/increase in cash and cash equivalents					
		(477,197)	(1,945,988)	852,510	3,454,370
Cash and cash equivalents at the beginning of year		1,237,399	5,042,401	384,889	1,546,483
Currency translation difference		-	(21,396)	-	41,548
Cash and cash equivalents at the end of year	23	<u>760,202</u>	<u>3,075,017</u>	<u>1,237,399</u>	<u>5,042,401</u>
Non-cash transactions					
		2020		2019	
		US\$	KHR'000	US\$	KHR'000
Capital contribution (Note 16)		(359,214)	(1,464,515)	207,226	839,680
Regulatory reserves (Note 17)		(41,628)	(169,717)	56,401	228,537
Purchase on intangible assets		-	-	10,000	40,520
Conversion of borrowings from shareholders to share capital (Note 15)		-	-	5,000,000	20,260,000

The accompanying notes on pages 11 to 31 form an integral part of these financial statements.

GENERAL INFORMATION

Samrithisak Microfinance Limited was incorporated as private limited company in the Kingdom of Cambodia under the registration number 00032489 dated 04 March 2010 with the Ministry of Commerce. On 25 May 2010, the Company obtained its license from the National Bank of Cambodia (“NBC or the Central Bank”) to operate as a microfinance institution.

The Company is principally engaged in the provision of micro-finance services and other related financial services within the scope of micro-finance license in Cambodia.

The Company’s registered office is located at #502G-502H, Preah Movivong Blvd, Sangkat Tonle Basak, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

The financial statements were authorised for issue by the Board of Director on 13 April 2021.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

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

The financial statements have been prepared under the historical cost convention.

The Company discloses the amount for each asset and liability that expected to be recovered or settled no more than 12-month after the reporting period as current, and more than 12-month after the reporting period as non-current.

The preparation of financial statements in conformity with CIFRS for SMEs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported period. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. Although these estimates and judgements are based on the management’s best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

An English version of the financial statements have been prepared from the statutory financial statements that are in the Khmer language. In the event of a conflict or a difference in interpretation between the two languages, the Khmer language statutory financial statements shall prevail.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Functional and presentation currency:

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”). The functional currency is the US\$ because of the significant influence of the US\$ on its operations. The financial statements are presented in United States dollars (“US\$”) which is the Company’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than US\$ are recognised in profit or loss.

Presentation in Khmer Riel

In compliance with the Law on Accounting and Auditing, the financial statements shall be expressed in Khmer Riel. The statement of profit or loss and other comprehensive income and the statement of cash flows are translated into KHR using the average exchange rates for the year/period. Assets and liabilities for each statement of financial position presented and shareholders’ capital are translated at the closing rates as at the reporting date. Resulting exchange differences arising from the translation of shareholders’ capital is recognised directly in equity; all other resulting exchange differences are recognised in the other comprehensive income.

The Company has used the official rates of exchange published by the National Bank of Cambodia, and as at the reporting date, the average rate was US\$ 1 to KHR 4,077 (2019: US\$ 1 to Riel 4,052) and the closing rate was US\$ 1 to KHR 4,045 (2019: US\$ 1 to Riel 4,075).

2.3. Financial assets and financial liabilities

2.3.1. Classification

All financial assets and financial liabilities of the Company are classified as basic financial instruments namely cash and debt instruments (balances with Central Bank and other financial institutions, loan and advances, borrowings, other receivables and payables).

2.3.2. Recognition and measurement

Initial measurement

Financial assets and financial liabilities are initially recognised at transaction price (including transaction costs).

For borrowing from shareholders with interest rate below market rate, such borrowing is initially recognised at the present value of the future cash payments discounted at a market rate of interest for a similar borrowing. Differences between the amount of cash received and the present value of the future cash payments are recognised as capital contribution in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Financial assets and financial liabilities (continued)

2.3.2. Recognition and measurement (continued)

Subsequent measurement:

Financial assets and financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

For loans and advances at amortised cost, in the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loans and advances and recognised in the statement of comprehensive income.

2.3.3. Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Company test control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

Financial liabilities are derecognised when, and only when, it is extinguished - ie when the obligation specified in the contract is discharged or cancelled or expires.

2.3.4. Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable rights to set off the recognised amounts and there is an intention either to settle on a net basis or realise the asset and settle the liability simultaneously.

2.4. Impairment of financial assets

Financial assets measured at amortised cost:

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The criteria the Company uses to determine whether there is objective evidence of impairment loss include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Impairment of financial assets (continued)

Financial assets measured at amortised cost (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets that have not been individually assessed are grouped together for portfolio impairment assessment. These loans are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being assessed. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after the realisable value of collateral has been taken into consideration, if any, when in the judgement of the management, there is no prospect of recovery.

If, in a subsequent period, the amount of impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

2.5 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with original maturity of three months or less from the date of acquisition, including cash on hand, the non-restricted balances with the Central Bank and balances with banks and other financial institutions.

2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is possible that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Depreciation of property and equipment is charged to the income statement over the estimated useful lives of the assets using the straight-line method at the following:

	<u>Useful life</u>
Leasehold improvement	: 10 years
Office equipment	: 4 years
Computer equipment	: 4 years
Furniture and fixtures	: 4 years
Motor vehicles	: 6 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6. Property and equipment (continued)

Capital work-in-progress is not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on an asset disposal are determined by comparing the proceeds with the carrying amount, and they are recognised in the statement of comprehensive income.

2.7 Intangible assets

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software is capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. Intangible assets are amortised over their estimated useful lives of 10 years using the straight-line method.

Capital work-in-progress is not amortised. Amortisation on capital work-in-progress commences when the assets are ready for their intended use. Costs associated with maintaining computer software are recognised as expenses when incurred.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 fair value less costs to sell and value in use.

Any impairment loss is charged to the statement of comprehensive income in the period in which it arises. Reversal of impairment loss is recognised in the statement of comprehensive income to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised.

2.9 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are re-measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Employee benefits

Short-term employee benefits

Short-term employee benefits are accrued in the year in which the associated services are rendered by the employees of the Company.

Other long term employment benefits - seniority payments

In June 2018, the Cambodian government amended the Labour Law introducing the seniority pay scheme. Subsequently on 21 September 2018, Prakas No. 443 K.B/Br.K.Kh.L, was issued providing guidelines on the implementation of the law. In accordance with the law/Prakas, each entity is required to pay each employee with unspecified duration employment contract the following seniority scheme:

Annual service - effective January 2019, 15 days of their average monthly salary and benefits each year payable every six month on 30 June and 31 December (7.5 days each payment). Past years of seniority service - employees are entitled to 15 days of their salary per year of service since the commencement of employment up to 31 December 2018 and still continue working with the Company. The past seniority payment depends on each staff past services and shall not exceed six months of average gross salaries. On 22 March 2019, the Ministry of Labour and Vocational Training issued guideline number 042/19 K.B/S.N.N.Kh.L, to delay the payment of the past years of seniority service which will be payable three days each in June and in December starting December 2021.

The annual service pay is considered as short term employee benefits. These are accrued in the year in which the associated services are rendered by the employees of the Company.

The past years of seniority service is classified as long term employee benefits. Past seniority liability is recognised at the present value of defined obligations at the reporting period. The present value of the past seniority payment is determined by discounting the estimated future payments by references to the high quality corporate bond of the currency that the liability is denominated.

2.11 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the reporting date in country where the Company operates and generates taxable income.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.12 Interest income and expense

Interest income and expense for all interest bearing financial instruments are recognised within “interest income” and “interest expense” in the statement of comprehensive income using the effective interest method.

When a loan receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan receivable is recognised using the original effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company takes into account all contractual terms of the financial instrument and include any fees or incremental costs that are directly attributable to the instrument, which are an integral part of the effective interest rate, but does not consider future credit losses.

When there is change in estimated future cash payments or receipts, the carrying amount of the financial asset and financial liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is recalculated by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. Such adjustment is recognised as interest income or expense in the statement of comprehensive income at the date of revision.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

When a loan receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan receivable is recognised using the original effective interest rate.

2.13 Fee and commission income and expense

Fees and commission income is not integral to effective interest of loans and advances at amortised cost and is thus recognised as income when the services are rendered.

2.14 Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Payments made under operating leases net of any incentives received from the lessors are charged to the statement of comprehensive income on a straight-line basis over the lease periods.

2.15 Share capital

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Reserves:

Reserves comprise of regulatory reserves and other reserves.

Regulatory reserves:

Banks and financial institutions are required to compute regulatory provisions, according to Prak- as No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and provisions on impairment. If the accumulated regulatory provision is higher than the accumulated impairment based on CIFRS for SMEs, the ‘topping up’ will be recorded as reg- ulatory reserves presented under equity. The reserve is subsequently reversed (up to zero) should the accumulated regulatory provision be lower than accumulated impairment based on CIFRS for SMEs. The regulatory reserve is set aside as a buffer, is non-distributable, is not allowed to be included in the net worth calculation.

Other reserves are for currency translation difference between the functional currency and presentation currency.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Company makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are be- lieved to be reasonable under the circumstances.

(a). Impairment losses on financial facilities

The Company makes allowance for impairment for losses on loans and advances based on assessment of recoverability. Whilst management is guided by the accounting standard, management makes judgement on the future and other key factors in respect of the estimation of the amount and time of the cash flows in allowance for impairment of loans and advances. Among the factors considered are the Company’s segmentation of loan portfolios, point of no return of non-performing loans, aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, and the viability of the customer’s business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

COVID 19 impact on impairment losses

For the purpose of determining credit risk of restructured loans due to COVID 19, the Company collectively assesses restructured loans as a separate segment from the rest of the portfolio because of the shared similar credit risk characteristic. Without undue cost and effort, the management uses the available information related to COVID 19 impact and makes judgement on necessary changes to key factors mentioned above in estimating impairment losses of the restructured loans.

(b). Other long term employee benefits - seniority payment obligations

The present value of the seniority payment obligations depends on a number of factors that are determined on a basis using a number of assumptions. The assumptions used in determining the ultimate cost for seniority payment obligations include the staff turnover and discount rate. Any changes in these assumptions will impact the carrying amount of seniority payment obligations.

4. FINANCIAL INSTRUMENTS

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Financial assets				
Cash on hand	4,944	19,998	183,175	746,438
Balances with Central Bank and other financial institutions	2,571,788	10,402,882	1,055,271	4,300,229
Loans and advances at amortized cost	26,098,982	105,570,382	28,301,940	115,330,406
Other assets	16,000	64,720	16,000	65,200
	<u>28,691,714</u>	<u>116,057,982</u>	<u>29,556,386</u>	<u>120,442,273</u>
Financial liabilities				
Borrowings	9,799,829	39,640,306	10,687,144	43,550,112
Other liabilities	114,538	463,306	298,690	1,217,162
	<u>9,914,367</u>	<u>40,103,612</u>	<u>10,985,834</u>	<u>44,767,274</u>
and medium				

SAMRITHISAK MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

5. BALANCES WITH THE CENTRAL BANK AND OTHER FINANCIAL INSTITUTIONS

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
<i>Balances with Central Bank and other bank at amortised cost:</i>				
Balances with the Central Bank	9,996	40,433	7,886	32,135
Balances with other financial institutions	2,561,792	10,362,449	1,047,385	4,268,094
	<u>2,571,788</u>	<u>10,402,882</u>	<u>1,055,271</u>	<u>4,300,229</u>

a). By maturity

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Current	<u>2,571,788</u>	<u>10,402,882</u>	<u>1,055,271</u>	<u>4,300,229</u>

b) . Interest rates

	As at 31 December 2020	As at 31 December 2019
Balances with the Central Bank	0%	0%
Balances with other financial institutions	0% - 4%	0% - 3.3%

6. LOANS AND ADVANCES AT AMORTISED COST

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Individual loans	26,181,473	105,904,059	28,346,273	115,511,062
Less: allowance for impairment losses on loans and advances	(82,491)	(333,677)	(44,333)	(180,656)
Net loans and advances at amortised cost	<u>26,098,982</u>	<u>105,570,382</u>	<u>28,301,940</u>	<u>115,330,406</u>

a). Allowance for impairment losses on loans and advances

The movements in allowance for impairment losses on loans and advances are as follows:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
At the beginning of the year	44,333	180,656	39,286	157,851
Charged for the year	63,427	258,592	39,680	160,783
Written off during the year	(25,499)	(103,143)	(34,457)	(139,620)
Unrealised exchange rate gain/(loss)	230	930	(176)	(713)
Currency translation difference	-	(3,358)	-	2,355
At the end of the year	<u>82,491</u>	<u>333,677</u>	<u>44,333</u>	<u>180,656</u>

b) . Analysis by maturity

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Not later than one year	332,325	1,344,256	528,649	2,154,245
Later than one year and not later than three years	3,066,230	12,402,899	3,373,833	13,748,369
Later than three years and not later than five years	6,957,756	28,144,123	7,367,062	30,020,778
Later than five years	15,825,162	64,012,781	17,076,729	69,587,670
	<u>26,181,473</u>	<u>105,904,059</u>	<u>28,346,273</u>	<u>115,511,062</u>

7. STATUTORY DEPOSITS WITH CENTRAL BANK

In compliance with Prakas B7-06-209 dated 13 September 2006 on the licensed Microfinance Institutions, the Company is required to maintain a statutory capital deposit with the Central Bank at 5% of paid-up capital. This deposit is refundable should the Company voluntarily liquidate.

8. OTHER ASSETS

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Advances and deposits	17,299	69,974	25,486	103,855
Prepaid expenses	4,909	19,857	12,160	49,552
	<u>22,208</u>	<u>89,831</u>	<u>37,646</u>	<u>153,407</u>

All other assets are recoverable within one year from the financial position date except for advances and deposits amounting to US\$16,000 (2019: US\$16,000), which is due to be realised more than one year.

9. PROPERTY AND EQUIPMENT

	Leasehold improvement US\$	Motor vehicles US\$	Office equipment US\$	Computer equipment US\$	Furniture and fixtures US\$	Total US\$
Cost						
As at 1 January 2020	295,274	337,880	106,537	130,703	47,287	917,681
Additions	45,776	268	13,904	23,401	7,196	90,545
As at 31 December 2020	341,050	338,148	120,441	154,104	54,483	1,008,226
Less: Accumulated depreciation						
As at 1 January 2020	67,525	147,989	55,389	102,488	29,804	403,195
Depreciation charge	41,200	47,806	23,490	17,189	10,836	140,521
As at 31 December 2020	108,725	195,795	78,879	119,677	40,640	543,716
Net book value						
As at 31 December 2019	227,749	189,891	51,148	28,215	17,483	514,486
In KHR'000 equivalent	928,077	773,806	208,428	114,976	71,243	2,096,530
As at 31 December 2020	232,325	142,353	41,562	34,427	13,843	464,510
In KHR'000 equivalent	939,755	575,818	168,118	139,257	55,995	1,878,943

10. INTANGIBLE ASSETS

Computer software and license US\$

Cost

As at 1 January 2020	13,230
As at 31 December 2020	<u>13,230</u>

Less: Accumulated amortisation

As at 1 January 2020	2,950
Amortisation charge	1,121
As at 31 December 2020	<u>4,071</u>

Net book value

As at 31 December 2019	10,280
In KHR'000 equivalent	<u>41,891</u>
As at 31 December 2020	9,159
In KHR'000 equivalent	<u>37,048</u>

11. INCOME TAX

Deferred tax assets, net

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Deferred tax assets	72,299	292,449	66,288	270,124
Deferred tax liabilities	(25,071)	(101,412)	(25,128)	(102,397)
Deferred tax assets (net)	<u>47,228</u>	<u>191,037</u>	<u>41,160</u>	<u>167,727</u>

Movement of net deferred tax assets

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	41,160	167,727	41,695	167,531
(Charged)/credited to income statement	6,068	24,739	(535)	(2,168)
Currency translation differences	-	(1,429)	-	2,364
As at 31 December	<u>47,228</u>	<u>191,037</u>	<u>41,160</u>	<u>167,727</u>

11. INCOME TAX (continued)

Deferred tax assets, net (continued)

Deferred tax assets

	Unamortised loan fee US\$	Allowance for loan losses US\$	Seniority payment obligations US\$	Accelerated depreciation US\$	Accrual bonus US\$	Total US\$
As at 1 January 2020	53,130	5,405	3,915	-	3,838	66,288
(Charged)/credited to income statement	6,290	4,369	(810)	-	(3,838)	6,011
As at 31 December 2020	59,420	9,774	3,105	-	-	72,299
In KHR'000 equivalent	238,750	39,272	12,476	-	-	290,498

Deferred tax liabilities

	Interest on non- performing loans US\$	Unamortised borrowing fee US\$	Accelerated depreciation US\$	Unrealised exchange gain US\$	Total US\$
As at 1 January 2020	1,161	2,825	20,543	599	25,128
Charged/(credited) to income statement	240	(1,451)	(2,717)	3,871	(57)
As at 31 December 2020	1,401	1,374	17,826	4,470	25,071
In KHR'000 equivalent	5,629	5,521	71,625	17,960	100,735

Current income tax liabilities

Under the Law on Taxation, the Company has an obligation to pay Tax on Profit at 20% of taxable profit.

The gross movements in current income tax liabilities during the year are as follows:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
At the beginning of the year	217,458	886,141	232,927	935,901
Current income tax expense	189,003	770,565	252,958	1,024,986
Income tax paid	(257,282)	(1,048,939)	(268,594)	(1,088,343)
Unrealised exchange rate loss	-	-	167	677
Currency translation differences	-	(4,338)	-	12,920
At the end of the year	149,179	603,429	217,458	886,141

11. INCOME TAX (continued)

c). Income tax expense

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Current tax	189,003	770,565	252,958	1,024,986
Deferred tax	(6,068)	(24,739)	535	2,168
Income tax expense	<u>182,935</u>	<u>745,826</u>	<u>253,493</u>	<u>1,027,154</u>

Reconciliation of income tax expenses and accounting profit:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	761,324	3,103,920	855,560	3,466,729
Tax calculated at a rate of 20%	152,265	620,784	171,112	693,346
Tax effects of reconciling items:				
Expenses not deductible for tax purpose	25,661	104,620	70,400	285,261
Other adjustments	5,009	20,422	11,981	48,547
Income tax expense	<u>182,935</u>	<u>745,826</u>	<u>253,493</u>	<u>1,027,154</u>

Taxes are calculated on the basis of current interpretation of the tax regulations enacted as at reporting date. The management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subjected to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

However, these regulations are subject to periodic variation and the ultimate determination of tax liabilities will be made following inspection by the tax authorities. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the taxes liabilities and balances in the period in which the determination is made.

12. OTHER LIABILITIES

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Accounts payable	89,013	360,056	248,310	1,011,863
Accrued salary and staff benefits	264,479	1,069,818	248,192	1,011,382
Accrued expenses	25,525	103,249	76,992	313,742
Tax payables	34,125	138,036	24,317	99,092
	<u>413,142</u>	<u>1,671,159</u>	<u>597,811</u>	<u>2,436,079</u>

All other liabilities are due to be settled within one year from the financial position date.

13. BORROWINGS

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Current	1,729,676	6,996,541	2,335,121	9,515,617
Non-current	8,070,153	32,643,765	8,352,023	34,034,495
	<u>9,799,829</u>	<u>39,640,306</u>	<u>10,687,144</u>	<u>43,550,112</u>

This represents borrowings from banks and individuals including related parties (note 25.b) with a term from one to seven years and interest rate ranging from 7% to 9% per annum (2019: 3% to 9% per annum). The borrowings are unsecured except the borrowings from a commercial bank with the carrying amount of US\$197,775 as of 31 December 2019 and fully paid off in 2020, which were secured by a plot of land and building owned by a shareholder's close family member.

14. SENIORITY PAYMENT OBLIGATIONS

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Current	4,126	16,688	-	-
Non-current	11,399	46,111	19,576	79,772
	<u>15,525</u>	<u>62,799</u>	<u>19,576</u>	<u>79,772</u>

15. SHARE CAPITAL

The total authorised number of shares of the Company as at 31 December 2020 was 150,000 shares with a par value of US\$100 per share (2019: 150,000 shares with a par value of US\$100 per share). All authorised shares have been issued and fully paid up.

Shareholders	2020			2019		
	Number of Shares	US\$	% of ownership	Number of Shares	US\$	% of ownership
Mr. Taing Ngoun	87,000	8,700,000	58.00%	87,000	8,700,000	58.00%
Mr. Taing Hong	56,500	5,650,000	37.67%	56,500	5,650,000	37.67%
Mr. Cheang Syvannlieng	5,500	550,000	3.67%	5,500	550,000	3.67%
Mr. Phoun Thitieng	500	50,000	0.33%	500	50,000	0.33%
Mr. Bun Zhicheav	500	50,000	0.33%	500	50,000	0.33%
	<u>150,000</u>	<u>15,000,000</u>	<u>100%</u>	<u>150,000</u>	<u>15,000,000</u>	<u>100%</u>
In KHR'000 equivalent		<u>60,675,000</u>			<u>60,670,000</u>	

16. CAPITAL CONTRIBUTION

Capital contribution is the difference between the present value of the future payments discounted at market interest rate for a similar borrowing and the amount received from the borrowing from shareholders. In 2020, the shareholders amended the agreements of their existing loans, injected additional loans of US\$400,000 and revised the interest rates from 3% to 7% per annum because they intended to claw back some portion of the contribution they made in the prior years. As a result, the amount of US\$359,214 was debited to the capital contribution from the prior year.

17. RESERVES

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Regulatory reserves for impairment losses on facilities	236,978	1,549,495	278,606	822,623
Currency translation difference	-	(590,919)	-	906,686
	<u>236,978</u>	<u>958,576</u>	<u>278,606</u>	<u>1,729,309</u>

Regulatory reserves represents the variance between the allowance of impairment losses calculated in accordance with CIFRS for SMEs and the regulatory provision calculated in accordance with the NBC's requirement when the regulatory provision is higher, which is reserved as required by the Central Bank's Prakas No.B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions. The reserves are transferred from the retained earnings.

18. INTEREST INCOME

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Loans and advances at amortised cost	4,326,380	17,638,650	4,443,833	18,006,411
Balances with the Central Bank and other financial institutions	32,921	134,220	7,069	28,644
	<u>4,359,301</u>	<u>17,772,870</u>	<u>4,450,902</u>	<u>18,035,055</u>

19. INTEREST EXPENSES

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Borrowings	<u>902,952</u>	<u>3,681,335</u>	<u>967,797</u>	<u>3,921,513</u>

20. ALLOWANCE FOR IMPAIRMENT LOSSES ON FACILITIES

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Allowance for impairment losses on loans and advances	63,427	258,592	39,680	160,783
Recovery on loans and advances previously written off	(18,073)	(73,684)	(17,326)	(70,205)
	<u>45,354</u>	<u>184,908</u>	<u>22,354</u>	<u>90,578</u>

21. PERSONNEL EXPENSES

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages expenses	1,815,864	7,403,278	1,722,527	6,979,679
Seniority payment expense	66,540	271,284	60,257	244,161
Other employee benefits	50,992	207,893	80,747	327,188
	<u>1,933,396</u>	<u>7,882,455</u>	<u>1,863,531</u>	<u>7,551,028</u>

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Rental expenses	129,051	526,141	133,416	540,602
Professional fees	104,379	425,553	113,486	459,845
Repairs and maintenance expenses	84,213	343,336	55,069	223,140
Communication expenses	52,150	212,616	55,867	226,373
Travelling and transportation expenses	52,415	213,696	80,547	326,376
Security expenses	39,449	160,834	34,244	138,757
Utilities expenses	38,433	156,691	37,888	153,522
Office expenses	21,720	88,552	39,887	161,622
License and patent fees	18,921	77,141	20,443	82,835
Board of director's remuneration	19,800	80,725	19,800	80,230
Marketing and advertising expenses	7,516	30,643	9,526	38,599
Others	28,460	116,031	42,862	173,677
	<u>596,507</u>	<u>2,431,959</u>	<u>643,035</u>	<u>2,605,578</u>

23. CASH AND CASH EQUIVALENTS

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	4,944	19,998	183,175	746,438
Balances with the Central Bank:				
Current account	9,996	40,434	7,886	32,135
Balances with other financial institutions:				
Current accounts	116,427	470,947	200,832	818,390
Savings accounts	628,835	2,543,638	452,868	1,845,438
Term deposits	-	-	392,638	1,600,000
	<u>760,202</u>	<u>3,075,017</u>	<u>1,237,399</u>	<u>5,042,401</u>

24. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of and their relationship with the Company are as follows:

Relationship	Related party
Shareholders	Mr. Taing Ngoun Mr. Taing Hong Mr. Cheang Syvannlieng Mr. Phoun Thitieng Mr. Bun Zhicheav
Company under common shareholders	Entity under the same ultimate shareholders
Key management personnel	All directors of the Company who make critical decisions in relation to the strategic direction of the Company and senior management staff (including their close family members)

The Company entered into a number of transactions with related parties in the normal course of business. The volumes of related-party transactions, outstanding balances at the year-end, and related expense and income for the year are as follows:

a). Transactions with related parties

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Shareholders				
Borrowings received	400,000	1,618,000	5,827,400	23,612,625
Repayments of borrowing	-	-	(2,127,400)	(8,620,225)
Borrowing converted to share capital	-	-	(5,000,000)	(20,260,000)
Interest expenses	531,969	2,151,815	537,174	2,176,629
Office rental	55,560	226,518	52,260	211,758
Shareholders' close family members				
Borrowings received	1,131,000	4,574,895	1,070,000	4,335,640
Repayments of borrowing	(1,070,000)	(4,328,150)	(720,000)	(2,917,440)
Interest expenses	93,220	380,059	29,689	120,300
Office rental	12,000	48,924	12,000	48,624

24. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

a). Transactions with related parties (continued)

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Key management personnel				
Repayments of borrowings	-	-	(215,000)	(871,180)
Interest expenses	-	-	4,075	16,512
Interest income from loans and advances	1,009	4,082	1,315	5,328
Salaries, wages and other short-term benefits	361,686	1,474,594	252,282	1,022,247
Seniority payment expenses	10,708	43,657	8,571	34,730

b). Balances with related parties

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Shareholders				
Borrowings	8,297,400	33,562,983	7,897,400	32,181,905
Shareholders' close family members				
Borrowings	1,131,000	4,574,895	1,070,000	4,360,250
Key management personnel				
Loans and advances	12,697	51,360	20,510	83,578
Other long-term benefits payable (Seniority payments)	15,862	64,162	15,862	64,638

Borrowings from shareholders bear interest rates at 7% (2019: 3%) per annum. Interest expense was paid monthly in arrears. The borrowings are unsecured.

Borrowings from shareholders' close family member bear interest rates ranging from 8% to 9% (2019: 8% to 9%) per annum. Interest expense was paid monthly in arrears. The borrowings are unsecured.

Borrowings from key management bear interest rates ranging from 8% to 9% (2019: 6% to 9%) per annum. Interest expense was paid monthly in arrears. The borrowings are unsecured.

Loans and advances to key management bear interest rate of 6% (2019: 6%) per annum. Interest income was collected monthly in arrears. The loans and advances are unsecured.

25. COMMITMENTS

Non-cancellable operating lease commitments

These operating leases mainly relate to the office rental of head office and its branches. Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Not later than one year	78,052	315,720	75,032	305,755
Later than one year and not later than five years	122,220	494,380	146,672	597,688
Later than five years	3,000	12,135	15,000	61,125
	203,272	822,235	236,704	964,568

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