



សំរិទ្ធិស័ក
SAMRITHISAK

ដើម្បីអាជីវកម្មឈានមុខគេជានិច្ច

ANNUAL REPORT 2021

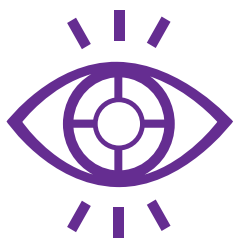


www.samrithisak.com

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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.



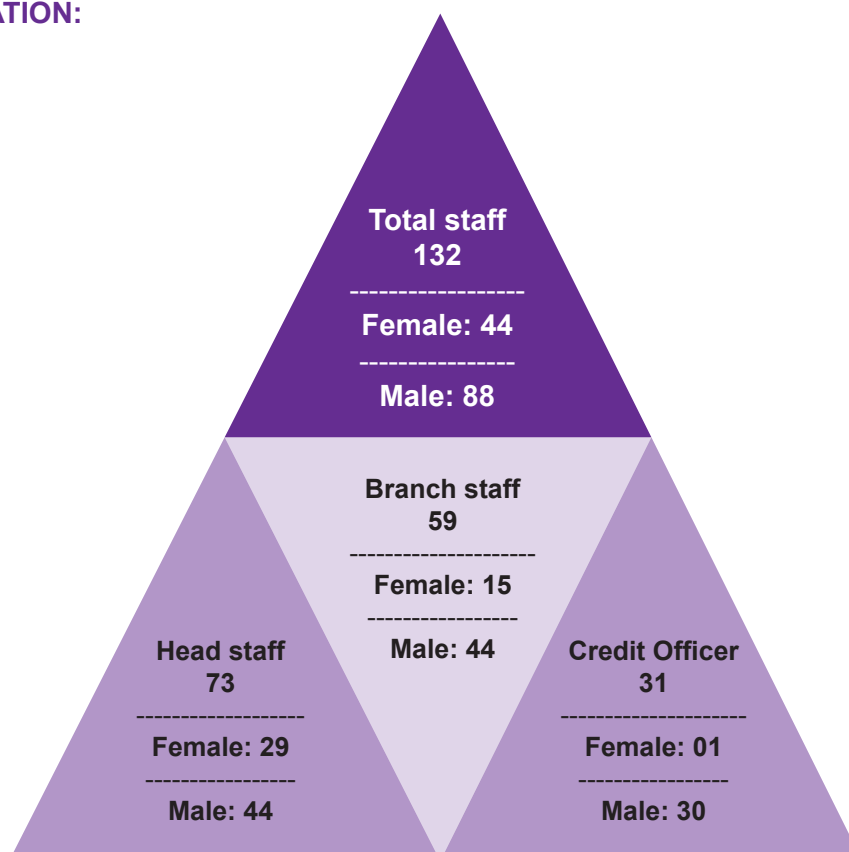
MISSION

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	: GRANT THORNTON (CAMBODIA) LIMITED
Employee	: 132

STAFF INFORMATION:



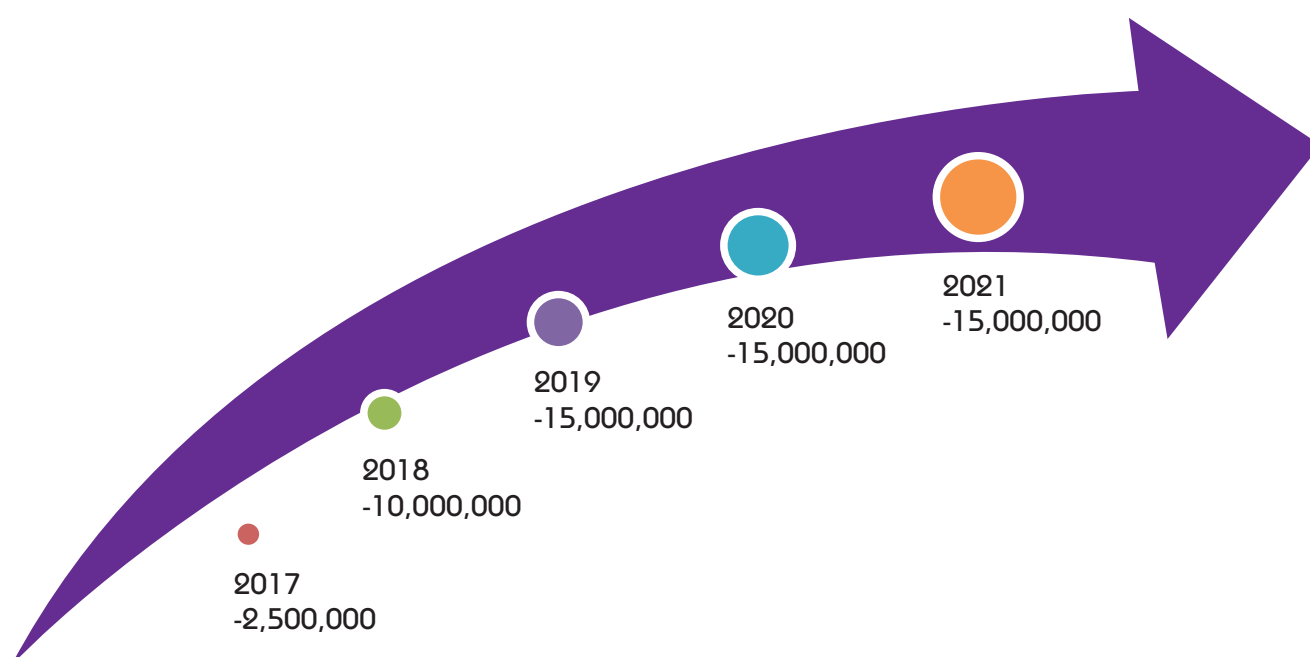
SAMRITHISAK – OVERVIEW

SAMRITHISAK Microfinance Limited was established on 25 May 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.

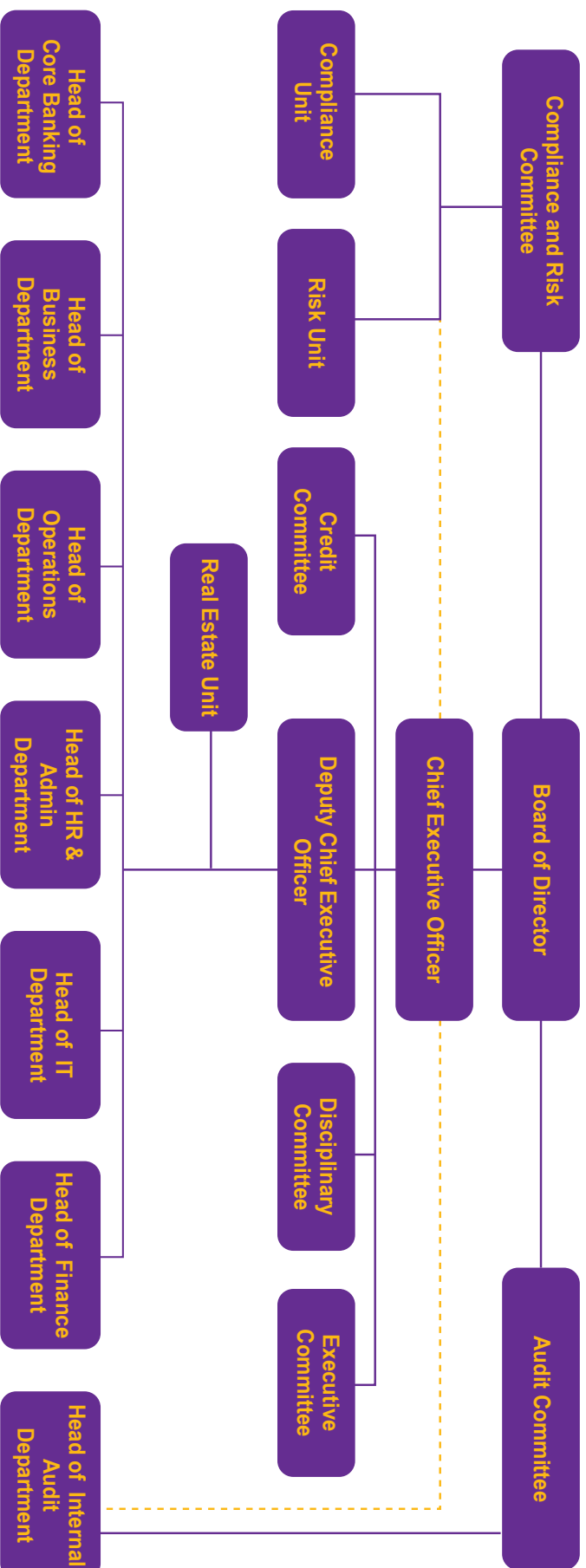
SAMRITHISAK has been established in valued purpose to facilitate poor people who have no ability to request for financial service from the Commercial banks as more capital to run and expand their business.

Paid-up Capital





สหกรณ์ออมทรัพย์วิสาหกิจ SAMRITHISAK MICROFINANCE LIMITED



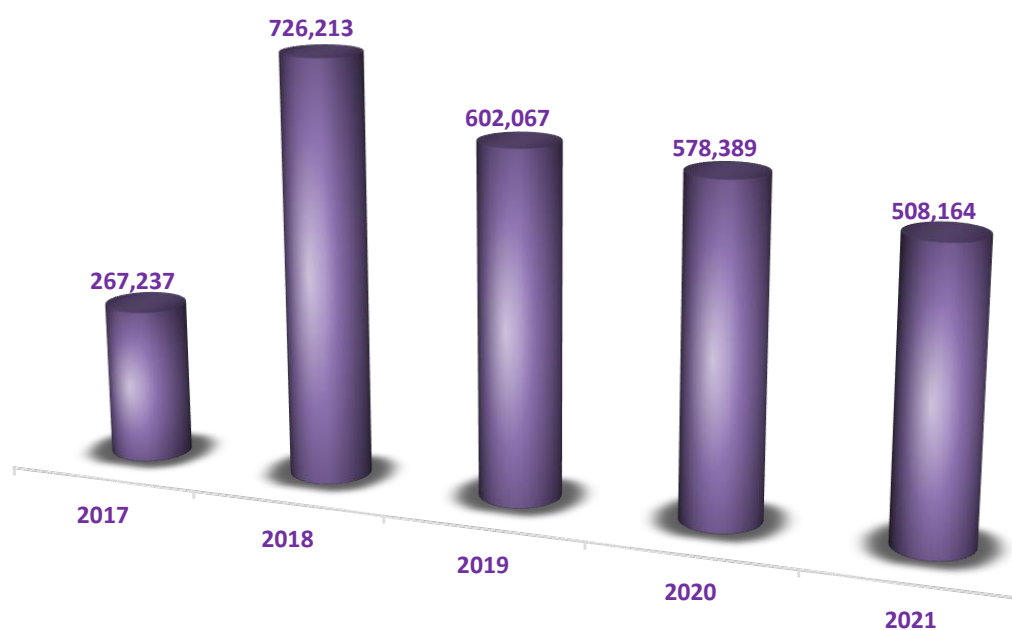
CHAIRMAN BOARD OF DIRECTOR

ศักดิ์-สงู

Summary Financial Performance (CIFRS Data)

In USD	2019	2020	2021
Financial Performance (CIFRS Data)			
Total Income	4,485,812	4,408,242	3,968,481
Total Expense	3,883,745	3,829,853	3,460,317
Profit/Loss	602,067	578,389	508,164
Total Asset	30,893,958	29,968,819	26,868,593
Total liabilities	11,521,989	10,377,675	6,769,285
Total Equity	19,371,969	19,591,144	20,099,308
Paid up Capital	15,000,000	15,000,000	15,000,000
Return on Asset	2.43%	2.34%	1.64%
Return on Equity	4.44%	4.26%	2.62%
Loan outstanding	28,301,940	26,098,982	23,435,624
Clients	2,621	2100	1,798
Credit officer	62	53	31
Branch Office	5	6	6
PAR >30 days	79,739	234,030	164,308

Net Profit



SUMMARY LOAN INFORMATION

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 \$ 300,000 or 1,200,000,000 Riel
- Interest 10.2% to 18% (Per Year)
- Loan term up to 14-120 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 or 200,000,000 Riel
- Loan term up to 14-120 months
- Interest 10.2% to 18% (Per Year)
- 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



50,000\$

loans up to

BUSINESS LOAN



loans up to
\$300,000

KEY MANAGEMENT INFORMATION



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 in 2017. 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 in 2017. 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.

SHARE PECENTAGE

Mr. Taing Ngoun (58.00%)

Mr. Taing Hong (37.67%)

Mr. Cheang Syvannlieng (3.67%)

Mr. Phoun Thitieng (0.33%)

Mr. Bun Zhicheav (0.33%)

Report of the Board of Directors

The Board of Directors (“the Directors”) is pleased to present its report and the audited financial statements of Samrithisak Microfinance Limited (“the Company”) as at 31 December 2021 and for the year then ended.

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 (“the 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.

As at 31 December 2021, the Company had 132 employees (2020: 206 employees).

Principal activity

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.

The Board of Directors

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

Name	Position	Date of appointment / resignation
Mr. Taing Hong	Chairman	
Mr. Taing Ngoun	Chief Executive Officer	
Mr. Kuch Setha	Member	
Mr. Cheng Sivanlieng	Member	
Mr. Yoeurn Bunyim	Member	

Directors' interests

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

31 December 2021 and 2020		
Name	Holding %	Number of shares of USD100 each
Mr. Taing Ngoun	58%	87,000
Mr. Taing Hong	37.67%	56,500
Mr. Cheng Sivanlieng	3.67%	5,500

No arrangements existed to which the Company is a party with the objective of enabling the directors to obtain an interest in the Company or in any corporate body.

Directors' benefits

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

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

Auditors

The Company's financial statements as at 31 December 2021 and for the year then ended were audited by Grant Thornton (Cambodia) Limited.

Board of Directors' responsibility in respect of the financial statements
The Board of Directors is responsible for ensuring that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the directors are required to:

i. adopt appropriate accounting policies in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities (“CIFRS for SMEs”), which are supported by reasonable and prudent judgements and estimates, and then apply them consistently,

ii. comply with the disclosure requirements of the CIFRS for SMEs and the guidelines of the NBC or, if there has been any departure from such requirements in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements,

iii. maintain adequate accounting records and an effective system of internal controls,

iv. prepare the financial statements on a going-concern basis unless it is inappropriate to assume that the Company will continue its operations in the foreseeable future; and

v. effectively control and direct the Company in all material decisions affecting its operations and performance, and ensure that such have been properly reflected in the financial statements.

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

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

Statement by the Board of Directors

In the opinion of the Board of Directors, the accompanying statements of financial position, comprehensive income, changes in equity and cash flows, together with the notes thereto, have been properly drawn up and present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with CIFRS for SMEs and the guidelines of the NBC.

On behalf of the Board of Directors



Chairman of Board of Directors

Phnom Penh, Kingdom of Cambodia
21 March 2022

Grant Thornton (Cambodia) Limited
20th Floor Canadia Tower
315 Preah Ang Duong Street
corner Monivong Boulevard
Sangkat Wat Phnom
Khan Daun Penh
Phnom Penh
Kingdom of Cambodia

**To the Shareholders of
Samrithisak Microfinance Limited**

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Samrithisak Microfinance Limited (“the Company”), which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on the notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standard for Small to Medium Sized Enterprises (“CIFRS for SMEs”) and guidelines of the NBC.

Basis for opinion

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

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of audit assurance or 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Other matter

The financial statements of the Company as at 31 December 2020 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those financial statements on 13 April 2021.

Responsibilities of the Management and the Board of Directors for the financial statements Management is responsible for the preparation and fair presentation of the financial statements in accordance with CIFRS for SMEs and guidelines of the NBC, 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, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process and the review and approval of the financial statements.

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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including 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.

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

Grant Thornton
GRANT THORNTON (CAMBODIA) LIMITED
Certified Public Accountants
Registered Auditors



Ng Yee Zent

Partner - Audit and assurance

Phnom Penh, Kingdom of Cambodia
21 March 2022

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2021		31 December 2020	
		USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Assets					
Cash on hand		445	1,813	4,944	19,998
Balances with the Central Bank and other financial institutions	6	3,193,348	13,009,700	3,321,788	13,436,632
Loans and advances at amortised cost - net	7	23,208,743	94,552,419	26,098,982	105,570,382
Other assets	8	38,864	158,331	22,208	89,831
Property and equipment	9	351,723	1,432,920	464,510	1,878,943
Intangible assets	10	8,040	32,755	9,159	37,048
Deferred tax assets	23	67,430	274,708	47,228	191,037
Total assets		26,868,593	109,462,646	29,968,819	121,223,871
Equity and liabilities					
Equity					
Share capital	14	15,000,000	60,675,000	15,000,000	60,675,000
Capital contributions	15	1,373,774	5,556,916	1,373,774	5,556,916
Reserves	16	419,018	1,709,111	236,978	966,934
Retained earnings		3,306,516	13,474,596	2,980,392	12,145,007
Accumulated translation differences		-	469,103	-	(97,680)
Total equity		20,099,308	81,884,726	19,591,144	79,246,177
Liabilities					
Other liabilities	11	251,825	1,025,934	413,142	1,671,159
Borrowings	12	6,373,380	25,965,150	9,799,829	39,640,308
Current income tax liabilities	23	131,905	537,233	149,179	603,428
Seniority payment obligations	13	12,175	49,603	15,525	62,799
Total liabilities		6,769,285	27,577,920	10,377,675	41,977,694
Total equity and liabilities		26,868,593	109,462,646	29,968,819	121,223,871

STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended 31 December 2021		For the year ended 31 December 2020	
		USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Interest income	17	3,936,438	16,013,430	4,359,301	17,772,870
Interest expense	18	(648,747)	(2,639,103)	(902,952)	(3,681,335)
Net interest income		3,287,691	13,374,327	3,456,349	14,091,535
Fees and commission income		6,249	25,421	4,194	17,099
Fee and commission expense		(7,920)	(32,219)	(27,067)	(110,352)
Net fee and commission expense		(1,671)	(6,798)	(22,873)	(93,253)
Net impairment losses on financial instruments	19	(41,213)	(167,654)	(45,354)	(184,908)
Other income		25,794	104,930	44,747	182,434
Net operating income loss		(15,419)	(62,724)	(607)	(2,474)
Personnel expenses	20	(1,919,265)	(7,807,570)	(1,933,396)	(7,882,455)
Other operating expenses	21	(555,413)	(2,259,418)	(596,507)	(2,431,959)
Depreciation and amortisation	9,10	(138,183)	(557,576)	(141,642)	(577,474)
Profit before income tax		654,307	2,680,241	761,324	3,103,920
Income tax expense	23	(149,576)	(608,475)	(182,935)	(745,826)
Net profit for the year		508,164	2,071,766	578,389	2,358,094
Other comprehensive income:					
<i>Items that will not be reclassified to profit or loss</i>					
Currency translation differences		-	566,783	-	(588,176)
Total comprehensive income for the year		508,164	2,638,549	578,389	1,769,918
Profit for the year attributable to:					
Owners of the Company		508,164	2,071,766	578,389	2,358,094
Total comprehensive income attributable to:					
Owners of the Company		508,164	2,638,549	578,389	1,769,918

STATEMENT OF CHANGES IN EQUITY

	Note	USD	KHR'000	USD	KHR'000	USD	KHR'000	Reserves	Retained earnings	Accumulated currency translation differences	USD	Total equity
								KHR'000	KHR'000	KHR'000		KHR'000
At 01 January 2021		15,000,000	60,675,000	1,373,774	5,556,916	236,978	966,934	2,980,392	12,145,007	(97,680)	19,591,144	79,246,177
Profit for the year		-	-	-	-	-	-	508,164	2,071,766	-	508,164	2,071,766
Transfer to regulatory reserves	16	-	-	-	-	182,040	742,177	(182,040)	(742,177)	-	-	-
Currency translation differences		-	-	-	-	-	-	-	-	566,783	-	566,783
At 31 December 2021		15,000,000	60,675,000	1,373,774	5,556,916	419,018	1,709,111	3,306,516	13,474,596	469,103	20,099,308	81,884,726
At 01 January 2020		15,000,000	60,675,000	1,732,988	7,021,431	278,606	1,135,319	2,360,375	9,618,528	490,496	19,371,969	78,940,774
Profit for the year		-	-	-	-	-	-	578,389	2,358,094	-	578,389	2,358,094
Capital contribution	15	-	-	(359,214)	(1,464,515)	-	-	-	-	-	(359,214)	(1,464,515)
Transfer from regulatory reserves	16	-	-	-	-	(41,628)	(168,385)	41,628	168,385	-	-	(588,176)
Currency translation differences		-	-	-	-	-	-	-	-	(588,176)	-	(588,176)
At 31 December 2020		15,000,000	60,675,000	1,373,774	5,556,916	236,978	966,934	2,980,392	12,145,007	(97,680)	19,591,144	79,246,177

STATEMENT OF CASH FLOWS

	Note	For the year ended 31 December 2021		For the year ended 31 December 2020	
		USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Cash flows from operating activities					
Profit before income tax		657,740	2,680,241	761,324	3,103,920
Adjustments for:					
Depreciation and amortization	9,10	138,183	557,576	141,642	577,474
Net impairment losses on financial instruments	19	41,213	167,654	45,354	184,908
Unrealized foreign exchange gain		(41,188)	(167,554)	(22,349)	(91,118)
Seniority payment obligations		(3,350)	(13,628)	(4,051)	(16,973)
Interest income	17	(3,936,438)	(16,013,430)	(4,359,301)	(17,772,870)
Interest expense	18	648,747	2,639,103	902,952	3,681,335
Operating losses before changes in working capital		(2,495,093)	(10,150,038)	(2,534,429)	(10,333,324)
Changes in working capital:					
Loans and advances at amortized cost		2,820,775	11,474,915	2,136,401	8,710,108
Other assets		(16,656)	(67,757)	15,438	62,941
Other liabilities		(119,101)	(484,503)	(174,669)	(712,126)
Cash generated from/(used in) operations		189,925	772,617	(557,259)	(2,272,401)
Interest received		3,973,624	16,164,704	4,387,370	17,887,307
Interest paid		(651,194)	(2,649,058)	(800,304)	(3,262,839)
Income tax paid		(187,052)	(760,928)	(257,282)	(1,048,939)
Net cash from operating activities		3,325,303	13,527,335	2,772,525	11,303,128
Cash flows from investing activities					
Placements/(withdrawals) of term deposits		1,100,000	4,474,800	(1,800,000)	(7,338,600)
Purchases of property and equipment	9	(24,277)	(98,759)	(90,545)	(369,152)
Purchases of intangible assets	10	-	-	(10,000)	(40,770)
Net cash from/(used in) investing activities		1,075,723	4,376,041	(1,900,545)	(7,748,522)
Cash flows from financing activities					
Proceeds from borrowings		1,667,800	6,784,610	1,760,373	7,177,041
Repayments of borrowings		(5,094,249)	(20,725,033)	(3,109,550)	(12,677,635)
Net cash used in financing activities		(3,426,449)	(13,940,423)	(1,349,177)	(5,500,594)
Net increase in cash and cash equivalents		974,177	3,962,953	(477,197)	(1,945,988)
Cash and cash equivalents at the beginning of year		760,202	3,075,017	1,237,399	5,042,401
Currency translation differences		-	27,890	-	(21,396)
Cash and cash equivalents at the end of year	22	1,734,379	7,065,860	760,202	3,075,017

1. General information

Samrithisak Microfinance Limited (“the Company”) 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 (“the 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-503H, Preah Monivong Blvd, Sangkat Tonle Basak, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia. As at 31 December 2021, the Company has seven branches.

The financial statements were authorised for issue by the Board of Director on 21 March 2021.

Covid-19 outbreak

During the peak of the outbreak of COVID-19 in Cambodia, the pandemic has affected the supplies of raw materials for garment factories in Cambodia and some factories suspended their operations temporarily from March until May of 2021. Other sectors such as hotel and tourism were also impacted. The NBC has issued a Circular on Loan Restructure during the Impact of the COVID-19 pandemic, which aims to maintain financial stability, support economic activities and mitigate the burden of borrowers who are facing difficulty making repayments due to a drop in their main income. The NBC has instructed Company’s and financial institutions to pay attention to clients who are facing actual impact and has allowed loan restructuring for the affected industries.

2. Statement of compliance with CIFRS for SMEs

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

3. Summary of significant accounting policies

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

3.1. Foreign currency translation

i. 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). Management has determined the United States dollar (“USD”) to be the Company’s functional currency owing to the significant influence of the USD on its operations. The financial statements are presented in USD, which is the Company’s functional and presentation currency.

ii. Transactions and balances

Transactions in currencies other than USD are translated into USD at 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 of monetary assets and liabilities denominated in currencies other than USD at the year-end exchange rates, are recognised in profit or loss.

iii. Presentation in Khmer Riel

Assets and liabilities for each statement of financial position presented are translated into Khmer Riel (“KHR”) at the closing rate ruling at each reporting date whereas income and expense items for each statement of comprehensive income and cash flow items presented are translated at the average rate for the year then ended. All resulting exchange differences are recognised in other comprehensive income.

Transactions in foreign currencies, other than USD, are translated to USD at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than USD at the reporting date are translated into USD at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the statement of income and expenditure. The translations of USD amounts into KHR as presented in the financial statements are included solely to comply with the Law on Accounting and Auditing (April 2016) and have been made using the prescribed official exchange rate of USD 1 to the following KHR rates published by the National Bank of Cambodia (“NBC”).

	31 December 2021	31 December 2020
Closing rate	4,074	4,045
Average rate*	4,068	4,077

* Determined using the NBC's published daily exchange rates from January to December for the year in accordance with Prakas 27617 issued by the GDT

Such translated amounts are unaudited and should not be construed as representations that the USD amounts represent, or have been or could be, converted into KHR at that or any other rate of exchange.

3.2. Basis of aggregation

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

3.3 Cash and cash equivalents

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

3.4 Balances with the National Bank of Cambodia and other banks

Balances with the National Bank of Cambodia and other banks are recognised at transaction price and are subject to insignificant changes in value.

3.5 Statutory deposit

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

3.6 Loans and advances to customers at amortised cost - net

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

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

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

3.7 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.

3.8 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of a property and equipment item comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Where an item of property and equipment comprises major components having different estimated useful lives, the components are accounted for as separate items of property and equipment.

Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Gain or loss arising from the retirement or disposal of an item of property and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and is recognised in profit or loss on the date of retirement or disposal.

At the end of each reporting period, item of property and equipment measured using the cost model are carried at cost less any subsequent accumulated depreciation and impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Leasehold improvements	Lower between 10 years or lease term
Motor vehicles	6 years
Office equipment	4 years
Computer equipment	4 years
Furniture and fixtures	4 years

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets. If there is any indication that there has been a significant change in rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

3.9 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. It is amortised on a straight-line basis at the rate of 20% per annum. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of intangible assets, the amortisation is revised prospectively to reflect the new expectations.

3.10 Borrowings

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

3.11 Other liabilities

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

3.12 Employee benefit obligation

Short term benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before twelve months after the end of the reporting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Seniority payment

The Minister of Labour and Vocational Training (MoLVT) issued a Prakas No. 443 on Seniority Payment dated 21 September 2018 and Directive No. 042/19 on the Back Pay of Seniority Payment Before 2019 for the Enterprise and Institution Beside Textile, Garment and Footwear Sector dated 22 March 2019, requiring the Company to pay past seniority payment to employees with undetermined duration contract. All employees who have been working before 01 January 2019 and continue to work are entitled to a payment of six (6) days of their average wages of each year of service, totalling not exceeding 6 months, and shall be paid every year starting from December 2021 as follows:

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

Employees are not entitled to the remaining past seniority payment upon resignation or termination due to serious misconduct.

The past seniority payment benefit is measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to 31 December 2018. This benefit was recognised in full during the year 2018.

This Prakas also requires the Company to pay its employees the seniority for the employment service from 2019 amounting to 15 days per annum of their wages and other benefits, 7.5 days of which shall be paid in June and in December of each year. This seniority was recognised during the employees' periods of service on accrual basis.

Employee leave entitlements

Employee entitlements to annual leave are recognize when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

3.13 Equity, reserves, and retained earnings

Share capital represents the nominal (par) value of shares that have been issued. Share premium includes any premiums received on issuance of share capital.

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

Regulatory provision

Credit classification and provisioning for financial institutions in accordance with Prakas No. 7-017-344, dated

1 December 2017 as issued by the NBC provides guidance on credit classification and regulatory provisioning for financial institutions in Cambodia, as summarised below:

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

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

1. In case the regulatory provision calculated in accordance with the said Prakas is lower than the calculation in accordance with CIFRS for SMEs, the Company shall record the provision calculated in accordance with CIFRS for SMEs.

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

Reversal of regulatory reserves

When the impairment loss allowance calculated in accordance with regulatory provision is subsequently less than that calculated under the CIFRS for SMEs, the regulatory reserve is reversed at the amount that does not exceed the amount that would have been determined had no regulatory reserve been recognised in prior years.

In accordance with Circular No. B7.021.2314 on Classification and Provisioning Requirements on Restructured Loans dated 28 December 2021 issued by the NBC, the Company is required to reassess the classification of restructured loans, which are outstanding as at 31 December 2021, and provide provision as follows:

- Restructured loan that is “viable” shall be deemed as “performing” and shall be classified as “Special Mention” with 3% provisioning, regardless of the number of restructuring.
- Restructured loan that needs “more restructuring” should be deemed as “non-performing” and shall be classified as “Substandard” for loans under the first restructuring with 20% provisioning, and “Doubtful” for loans under the second restructuring with 50% provisioning.
- Restructured loan that is “non-viable” shall be deemed as “non-performing” and shall be classified as “Loss” with 100% provisioning.

Meanwhile, loans restructured starting from 1 January 2022 shall benefit on the forbearance period until end of June 2022, wherein these loans should not be subjected to the above requirement. However, none of the restructured loan applications since March 2020 can benefit from this forbearance period.

Additionally, the Company should continually submit its quarterly report on restructured loans’ review, customer repayment capacity, classification, and provisioning based on this new Circular with the following reporting deadline:

- by the end of January 2022, based on the financial data as at 31 December 2021 for the third reporting;
- by the end of April 2022, based on the financial data as at March 2022 for the fourth reporting; and
- by the end of July 2022, based on the financial data as at June 2022 for the fifth reporting.

On 18 January 2022, a workshop between all banks and financial institutions (“BFIs”) under the Association of Banks in Cambodia and NBC was held to assist BFIs in their application of the Circular and to discuss other related practical issues. In this workshop, NBC granted BFIs to perform reassessment of loan classification and determining the resulting impact in provisions on outstanding restructured loans as at 31 December 2021, starting from January 2022.

Following this workshop, the NBC informed BFIs through letter No. B7.022.167 dated 20 January 2022, the deferment of quarterly report submission to 10 February 2022, the change in financial data to be used to January 2022 and the clarification on the template of the report.

3.14 Interest income and expense

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

3.15 Fee and commission income and expense

Fees and commission income is recognised as income when the services are rendered.

Fee and commission expense is recognised in the statement of comprehensive income in the period in which it is incurred.

3.16 Operating expenses

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

3.17 Operating leases

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

3.18 Income taxes

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

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

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

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

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

3.19 Related parties

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

a. A person or a close member of that person's family is related to the Company if that person:

- i. Has control or joint control over the Company;
- ii. Has significant influence over the Company; or
- iii. Is a member of the key management personnel of the ultimate holding company of the Company, or the Company

b. An entity is related to the Company if any of the following conditions applies:

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

3.20 Impairment of non-financial assets

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

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

3.21 Financial instruments

Financial assets

Loans to customers and cash and cash equivalents

These financial assets are recognised initially at the transaction price.

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

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

Financial liabilities

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

4. Significant accounting estimates, assumptions and judgment in applying accounting policies

The Company makes estimates, assumptions and judgments concerning future transactions which may not equal actual results. The accounting estimates, assumptions and judgments which may cause significant impact on the current recognition and measurement of assets, liabilities, income and expenses are summarised below:

4.1 Significant accounting estimates and assumptions

Useful life of depreciable assets

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

Impairment

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

Tax contingencies

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

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

4.2 Significant judgments

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

5. FINANCIAL INSTRUMENT

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Financial assets				
Cash on hand	445	1,813	4,944	19,998
Balances with Central Bank and other financial institutions	2,443,348	9,954,200	2,571,788	10,402,882
Loans and advances at amortised cost	23,208,743	94,552,419	26,098,982	105,570,382
Other assets	16,000	65,184	16,000	64,720
	25,668,536	104,573,616	28,691,714	116,057,982
Financial liabilities				
Borrowings	6,373,380	25,965,150	9,799,829	39,640,308
Other liabilities	224,484	914,547	379,017	1,533,123
	6,597,864	26,879,697	10,178,846	41,173,431

6. BALANCES WITH THE CENTRAL BANK AND OTHER FINANCIAL INSTITUTIONS

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Balances with the Central Bank				
Statutory deposits*	750,000	3,055,500	750,000	3,033,750
Current accounts	10,351	42,170	9,996	40,433
Balances with other financial institutions	2,432,997	9,912,030	2,561,792	10,362,449
	3,193,348	13,009,700	3,321,788	13,436,632

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

a. By maturity

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Current	2,443,348	9,954,200	2,571,788	10,402,882

b. By interest rate

	31 December 2021	31 December 2020
Balances with the Central Bank	0%	0%
Balances with other financial institutions	0% - 4%	0% - 4%

7. LOANS AND ADVANCES AT AMORTISED COST- NET

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Individual loans	23,227,941	94,630,632	26,181,473	105,904,059
Less: impairment loss allowance	(19,198)	(78,213)	(82,491)	(333,677)
	23,208,743	94,552,419	26,098,982	105,570,382

a. Loans to customer in gross amount by maturity

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Not later than one year	304,617	1,241,010	332,325	1,344,256
Later than one year but not later than three years	2,527,689	10,297,805	3,066,230	12,402,899
Later than three years but not later than five years	6,805,149	27,724,177	6,957,756	28,144,123
Later than five years	13,590,486	53,367,640	15,825,162	64,012,781
	23,227,941	94,630,632	26,181,473	105,904,059

b. Loans to customer in gross amount by currency

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
USD	20,824,721	84,839,913	23,504,806	95,076,940
KHR	2,403,220	9,790,719	2,676,667	10,827,119
	23,227,941	94,630,632	26,181,473	105,904,059

c. Loans to customer in gross amount by economic sector

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Household/family	9,926,440	40,440,317	9,224,590	37,313,467
Trade and commerce	7,266,382	29,603,240	7,998,278	32,353,035
Services	2,285,310	9,310,353	2,858,906	11,564,275
Transportation	1,030,550	4,198,461	516,160	2,087,867
Agriculture	284,586	1,159,403	183,679	742,982
Construction	119,045	484,989	77,880	315,025
Other	2,315,628	9,433,869	5,321,980	21,527,408
	23,227,941	94,630,632	26,181,473	105,904,059

d. Loans to customer in gross amount by relationship

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Staff loans	24,855	101,259	-	-
Non-related parties	23,203,086	94,529,373	26,181,473	105,904,059
	23,227,941	94,630,632	26,181,473	105,904,059

Movements of impairment losses during the year were as follows:

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
At the beginning of the year	82,491	333,677	44,333	180,656
Provision for impairment loss during the year	41,213	167,654	45,354	184,908
Written off during the year	(104,506)	(425,130)	(7,426)	(30,267)
Unrealised exchange gain	-	-	230	930
Currency translation differences	-	2,012	-	(2,550)
At the end of the year	19,198	78,213	82,491	333,677

8. OTHER ASSETS

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Prepaid expenses	21,662	88,250	4,909	19,857
Advances and deposits	17,202	70,081	17,299	69,974
	38,864	158,331	22,208	89,831

All other assets are recoverable within one year from the financial position date except for advances and deposits amounting to USD16,000 (2020: USD16,000), which is due to be realised more than one year.

9. PROPERTY AND EQUIPMENT

	Leasehold improvements USD	Motor vehicles USD	Office equipment USD	Computer equipment USD	Furniture and fixtures USD	Total USD	KHR'000 (Note 3.1)
Cost							
At 01 January 2021	341,050	338,148	120,441	154,104	54,483	1,008,226	4,078,274
Additions	-	-	7,159	12,808	4,311	24,277	98,759
Currency translation differences	-	-	-	-	-	-	29,385
At 31 December 2021	341,050	338,148	127,600	166,912	58,794	1,032,503	4,206,418
Accumulated depreciation							
At 01 January 2021	108,725	195,795	78,879	119,677	40,640	543,716	2,199,331
Depreciation	43,094	47,675	18,346	18,304	9,646	137,064	557,576
Currency translation differences	-	-	-	-	-	-	16,591
At 31 December 2021	151,819	243,470	97,225	137,981	50,286	680,780	2,773,498
Carrying amounts							
At 31 December 2021	189,231	94,678	30,375	28,931	8,508	351,723	1,432,920

	Leasehold improvements USD	Motor vehicles USD	Office equipment USD	Computer equipment USD	Office furniture and fixtures USD	Total USD	KHR'000 (Note 3.1)
Cost							
At 01 January 2020	295,274	337,880	106,537	130,703	47,287	917,681	3,739,550
Additions	45,776	268	13,904	23,401	7,196	90,545	369,152
Currency translation differences	-	-	-	-	-	-	(30,428)
At 31 December 2020	341,050	338,148	120,441	154,104	54,483	1,008,226	4,078,274
Accumulated depreciation							
At 01 January 2020	67,525	147,989	55,389	102,488	29,804	403,195	1,643,020
Depreciation	41,200	47,806	23,490	17,189	10,836	140,521	572,904
Currency translation differences	-	-	-	-	-	-	(16,593)
At 31 December 2020	108,725	195,795	78,879	119,677	40,640	543,716	2,199,331
Carrying amounts							
At 31 December 2020	232,325	142,353	41,562	34,427	13,843	464,510	1,878,943

Management believes that there is no indication that an impairment loss has occurred as at 31 December 2021.

10. INTANGIBLE ASSETS

	USD	Computer software and licenses KHR'000 (Note 3.1)
Cost		
At 01 January 2021	13,230	53,515
Currency translation differences	-	384
At 31 December 2021	13,230	53,899
Accumulated amortisation		
At 01 January 2021	4,071	16,467
Amortisation	1,119	4,552
Currency translation differences	-	125
At 31 December 2021	5,190	21,144
Carrying amounts		
At 31 December 2021	8,040	32,755

	USD	Computer software and licenses KHR'000 (Note 3.1)
Cost		
At 01 January 2020	3,230	13,162
Additions	10,000	40,770
Currency translation differences	-	(417)
As at 31 December 2020	13,230	53,515
Accumulated amortisation		
At 01 January 2020	2,950	11,933
Amortisation	1,121	4,570
Currency translation differences	-	(36)
At 31 December 2020	4,071	16,467
Carrying amounts		
At 31 December 2020	9,159	37,048

Management believes that there is no indication that an impairment loss has occurred as at 31 December 2021.

11. INTANGIBLE ASSETS

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Accrued salary and staff benefits	130,001	529,624	264,479	1,069,818
Accounts payable	69,439	282,894	89,013	360,056
Tax payables	27,341	111,387	34,125	138,036
Accrued expenses	25,044	102,029	25,525	103,249
	251,825	1,025,934	413,142	1,671,159

12. BORROWINGS

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Current	1,724,814	7,026,892	1,729,676	6,996,542
Non-current	4,648,566	18,938,258	8,070,153	32,643,766
	6,373,380	25,965,150	9,799,829	39,640,308

This represents unsecured borrowings from banks and individuals including related parties with terms ranging from one to seven years and interest rate ranging from 7% to 9% per annum (2020: 7% to 9% per annum).

13. SENIORITY PAYMENT OBLIGATIONS

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Current	4,058	16,534	4,126	16,688
Non-current	8,117	33,069	11,399	46,111
	12,175	49,603	15,525	62,799

14. SHARE CAPITAL

As at 31 December 2021, the authorised share capital comprised 150,000 ordinary shares (2020: 150,000) at par value of USD100 per share. All shares are fully paid as follows:

	31 December 2021			31 December 2020		
	Number of shares	USD	% of shareholding	Number of shares	USD	% of shareholding
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%
	150,000	15,000,000	100%	150,000	15,000,000	100%
<i>In KHR'000 equivalent</i>		60,675,000			60,675,000	

15. 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.

16. RESERVES

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Regulatory reserves for impairment losses on facilities	419,018	1,709,111	236,978	966,934

Regulatory reserves represent 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 requirements. When the regulatory provision is higher, 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, USD182,040 is transferred from the closing balance of retained earnings to regulatory reserve as at 31 December 2021 while USD41,628 is transferred to regulator reserve from the closing balance of retained earnings as at 31 December 2020.

17. INTEREST INCOME

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Loans and advances	3,894,798	15,844,038	4,326,380	17,638,650
Balances with the Central Bank and other financial institutions	41,640	169,392	32,921	134,220
	3,936,438	16,013,430	4,359,301	17,772,870

18. INTEREST EXPENSES

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Interest arising from:				
Borrowings	648,747	2,639,103	902,952	3,681,335

19. NET IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Loans and advances	41,213	167,654	45,354	184,908

20. PERSONNEL EXPENSES

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Salaries and wages	1,720,320	6,998,262	1,815,864	7,403,278
Seniority payment expense	70,301	285,984	66,540	271,284
Other employee benefits	128,644	523,324	50,992	207,893
	1,919,265	7,807,570	1,933,396	7,882,455

21. OTHER OPERATING EXPENSES

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Rental	118,447	481,842	129,051	526,141
Professional fees	113,545	461,901	104,379	425,553
Repairs and maintenance	81,940	333,332	84,213	343,336
Communication	49,018	199,405	52,150	212,616
Travelling and transportation	42,646	173,484	52,415	213,696
Security	33,931	138,031	39,449	160,834
Utilities	30,285	123,199	38,433	156,691
Office supplies	23,107	93,999	21,720	88,552
Board of director's remuneration	22,800	92,750	19,800	80,725
License and patent fees	17,158	69,799	18,921	77,141
Marketing and advertising	10,902	44,349	7,516	30,643
Others	11,634	47,327	28,460	116,031
	555,413	2,259,418	596,507	2,431,959

22. CASH AND CASH EQUIVALENTS

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Cash on hand	445	1,813	4,944	19,998
Balances with the Central Bank				
Current account	10,351	42,170	9,996	40,434
Balances with other financial institutions				
Current accounts	1,078,178	4,392,497	116,427	470,947
Savings accounts	645,405	2,629,380	628,835	2,543,638
	1,734,379	7,065,860	760,202	3,075,017

23. INCOME TAX

Significant judgement is involved in determining the Company's provision for income taxes. The Company will recognise liabilities for expected tax expenses based on Management's current interpretation of the tax legislations. However, these regulations are subject to periodic changes and the ultimate determination of tax expenses will be made following review and investigation by the General Department of Taxation.

When the final tax outcome of these matters is different from the amount that was initially recognised, such differences will impact the tax provision in the financial year in which such determination is made.

(a) Income tax expense

In accordance with Cambodia's tax law, the Company has the obligation to pay tax on income ("Tol") at the rate of 20% of taxable income or minimum tax at 1% of turnover, inclusive of all taxes except value-added tax, whichever is higher.

Income tax expense comprises:

Income tax expense comprises:

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Current income tax	169,778	690,657	189,003	770,565
Deferred income tax	(20,202)	(82,182)	(6,068)	(24,739)
	149,576	608,475	182,935	745,826

The reconciliation of income tax expense shown in profit or loss follows:

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Profit before income tax	657,740	2,680,241	761,324	3,103,920
Income tax expense at applicable tax rate of 20% before adjustment	131,548	535,137	152,265	620,784
Non-deductible expenses	18,028	73,338	25,661	104,620
Other adjustments	-	-	5,009	20,422
Estimated current income tax expense	149,576	608,475	182,935	745,826

(b) Current tax liabilities

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
At beginning of the year	149,179	603,429	217,458	886,141
Current income tax	169,778	690,657	189,003	770,565
Income tax paid	(187,052)	(760,928)	(257,282)	(1,048,939)
Currency translation differences	-	4,076	-	(4,338)
At the end of year	131,905	537,233	149,179	603,428

(c) Deferred tax

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Deferred tax assets	76,516	311,725	72,299	292,450
Deferred tax liabilities	(9,086)	(37,017)	(25,071)	(101,413)
	67,430	274,708	47,228	191,037

The net movement of deferred taxes during the year was as follows:

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
At the beginning of the year	47,228	191,037	41,160	167,727
Credited to profit or loss	20,202	82,182	6,068	24,739
Currency translation differences	-	1,489	-	(1,429)
	67,430	274,708	47,228	191,037

Deferred tax assets are attributable to the following:

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Unamortised loan processing fees	65,838	268,225	59,420	240,354
Impairment loss allowance	8,243	33,580	9,774	39,536
Seniority payment obligations	2,435	9,920	3,105	12,560
	76,516	311,725	72,299	292,450

Deferred tax liabilities are attributable to the following:

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Interest on non-performing loans	1,943	7,916	1,401	5,668
Unamortised borrowing fees	-	-	1,374	5,558
Depreciation of property and equipment	7,025	28,620	17,826	72,106
Unrealised exchange gain	118	481	4,470	18,081
	9,086	37,017	25,071	101,413

(d) Taxation contingencies

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

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

24. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related parties and relationship

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

24. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related parties and relationship

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

Related parties	Relationship
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	The key management personnel are those participating in the administration, direction, management or the design and implementation of the internal controls of the Company. The key management personnel of the Company include all EXCO members appointed by the Board of Directors.

b) Significant transactions and balances with related parties are as follows:

i. Transactions with related parties

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Shareholders				
Borrowings received	300,000	1,222,040	400,000	1,618,000
Interest expenses	523,483	2,129,529	531,969	2,151,815
Office rental	537,600	2,186,957	55,560	226,518
Shareholder's close family members				
Borrowings received	1,201,000	488,567	1,131,000	4,574,895
Repayments of borrowing	(100,000)	406,800	(1,070,000)	(4,328,150)
Interest expenses	98,719	401,589	93,220	380,059
Office rental	-	-	12,000	48,924
Key management personnel				
Interest income from loans and advances	2,532	10,300	1,009	4,082
Salaries, wages and other short-term benefits	410,400	1,669,507	361,686	1,474,594
Seniority payment expenses	16,500	67,122	10,708	43,657

ii. Balances with related parties

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Shareholders				
Borrowings	4,870,000	19,840,380	8,297,400	33,562,983
Shareholder's close family members				
Borrowings	1,201,000	4,892,874	1,131,000	4,574,895
Key management personnel				
Loans and advances	5,218	21,258	12,697	51,360
Other long-term benefits payable (Seniority payments)	11,250	45,765	15,862	64,162

Borrowings from shareholders are unsecured and bear interest rates at 7% (2020: 7%) per annum. Interest expense was paid monthly in arrears.

Borrowings from shareholders' close family member are unsecured and bear interest rates ranging from 8% to 9% (2020: 8% to 9%) per annum. Interest expense was paid monthly in arrears.

Loans and advances to key management are unsecured and bear interest rate of 6% (2020: 6%) per annum. Interest income was collected monthly in arrears.

25. OPERATING LEASE AGREEMENTS

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

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 3.1)	USD	KHR'000 (Note 3.1)
Not later than one year	60,452	269,692	78,052	318,218
Later than one year but not later than five years	69,830	284,068	122,220	498,291
Later than five years	-	-	3,000	12,231
	136,126	553,760	203,272	828,740

26. EVENTS AFTER REPORTING PERIOD

Except for the recent clarification letter related to Circular No. B7.021.2314 (Note 3.13), no other significant events occurred after the end of the reporting period and the date of authorisation of the financial statements, which would require adjustments or disclosures to be made in the financial statements.

27. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements as at 31 December 2021 and for the year then ended were approved for issue by the Board of Directors on 21 March 2022.

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សំរិទ្ធិស័ក
SAMRITHISAK

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ANNUAL REPORT 2021

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