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SAMRITHISAK

ដើម្បីអោយវិក្រមយោធនមុខគេជាតិ

# ANNUAL REPORT 2019



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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

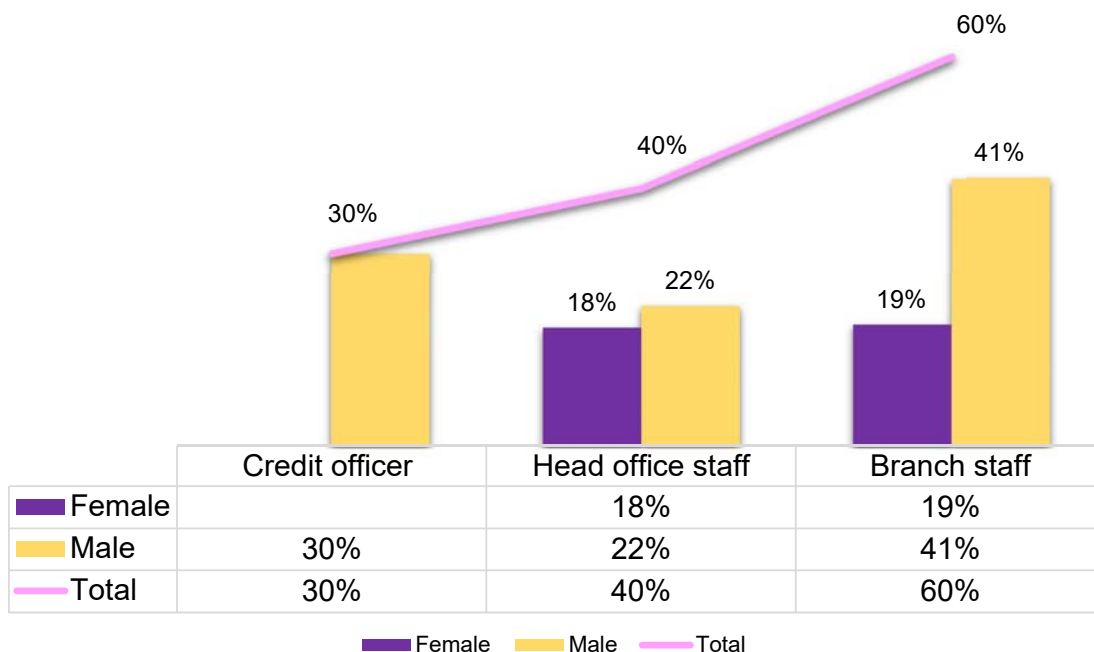
Resister Number : 00032489

Registration Office : 502G - 502H, Monivong Boulevard, Sangkat Tonle Basac,  
Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia

Auditor : PricewaterhouseCoopers (Cambodia) Ltd.

Employee : 208

### Employee Information





## 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, venders, 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.





## Performance Highlights

In USD	2019	2018	2017
<u>Financial Performance ( Following CIFRS Data)</u>			
Total Income	4,485,812	3,466,933	2,232,202
Total Expense	3,883,745	2,898,426	1,935,602
Profit/Loss	602,067	568,507	296,600
Total Asset	30,893,958	24,755,253	14,753,236
Total liabilities	11,521,989	11,192,577	7,038,035
Total Equity	19,371,969	13,562,676	7,715,201
Paid up Capital	15,000,000	10,000,000	2,500,000
Return on Asset	2.57%	2.88%	2.01%
Return on Equity	4.44%	5.34%	3.84%
Loan outstanding	28,301,940	23,294,928	13,421,262
Clients	2,621	2,877	2,797
Credit officer	62	69	53
Branch Office	5	5	5
PAR >30 days	79,739	113,998	196,430

## Loan Categories

### I. Consumption

Is a credit type, customers are intended to purchase materials by those things that are legitimate.

### II. Motor Loan

Is a loan which customers get in cash in order to buy a motorbike from companies or other shop.

### III. Car Loan

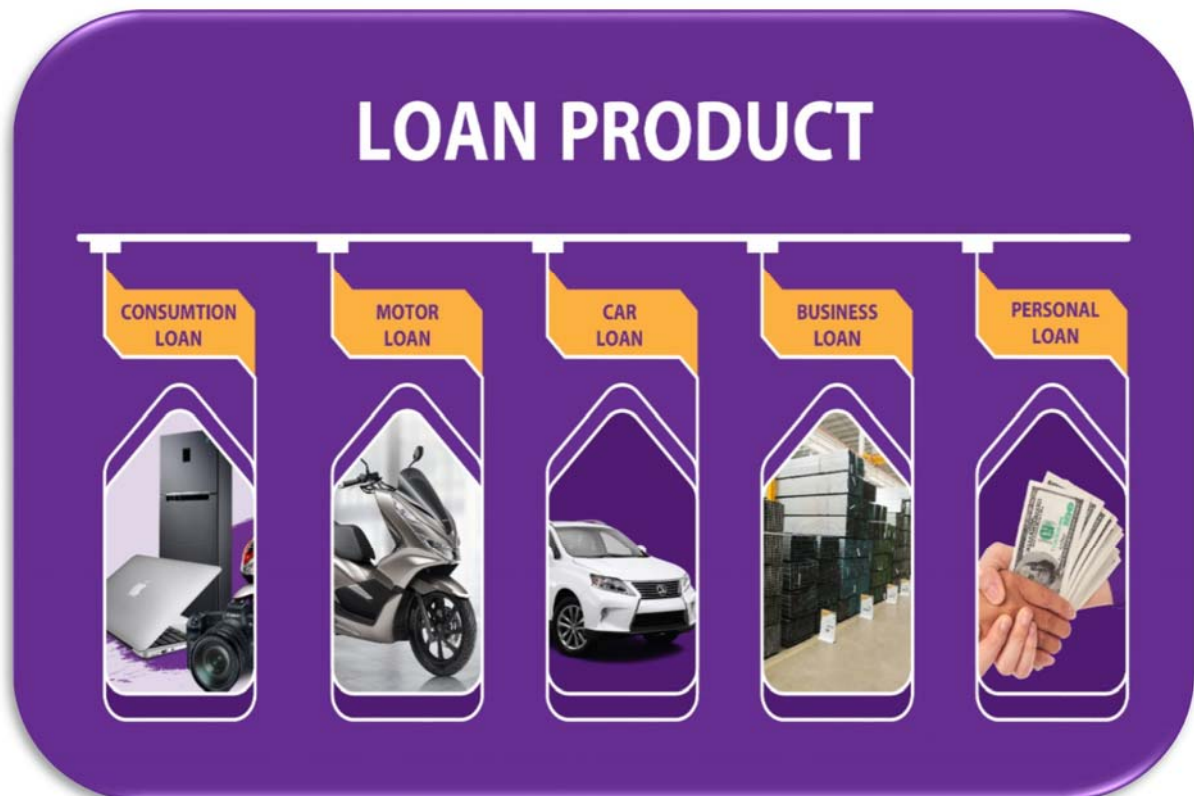
Is a credit type that make for supporting customers to buy a new car or second hand car which is legal transportation to using for personal demand or business purpose.

### IV. Business Loan

Is a loan which customers get to expand their business or business processing

### V. Personal Loan

Is a loan that providing customers to using for personal demand or supply for living conditions and improve family financial to be better.



## BOARD OF DIRECTORS

### TAING HONG, Chairman

**Mr. Taing Hong** was a Chairman of the Board of Director of SAMRITHISAK Microfinance in 2017. He was born in 1969, Cambodia nationality. Since 1990, now a day, he was the successful investor. He a shareholder and member of board of director of Sporting Live Group Co., Ltd and Mekong Cleaner Group Co., Ltd. He obtained Bachelor of General Management.



### TAING NGOUN, Deputy Chairman & CEO



**Mr. Taing Ngoun** was a Chairman of the Board of Director of SAMRITHISAK Microfinance in 2017. He was born in 1969, Cambodia nationality. Since 1990, now a day, he was the successful investor. He a shareholder and member of board of director of Sporting Live Group Co., Ltd and Mekong Cleaner Group Co., Ltd. He obtained Bachelor of General Management

### CHEANG SIVANLIENG, Member

**Mr. Cheang Sivanlieng** was a member of the Board of Directors of SAMRITHISAK Microfinance in 2010. He was born in 1955, Cambodian nationality. Since 1990, now a day, he was the successful investor. He was a shareholder and chairman of board of director of Mekong Cleaner Group Co., Ltd and a member of board of director of Mekong Cleaner Group Co., Ltd. He obtained Bachelor of Business Management.





## EXECUTIVE MANAGER

### Mr. TAING NGOUN, CHIEF EXECUTIVE OFFICER (CEO)



Mr. Taing Ngoun had worked for SAMRITHISAK in 2010 position as General Director. He obtained Bachelor of General Management at National University of Management in 2000. Before he had worked in SAMRITHISAK, he had been as member of board of director of Sporting Live Group Co., Ltd and Mekong Cleaner Group Co., Ltd in Cambodia.

### Mr. BUN ZHICHEAV, DEPUTY CHIEF EXECUTIVE OFFICER (DCEO)

**Mr. Bun Zhicheav** had worked for SAMRITHISAK in 2010 position as Vice Director. He obtained Bachelor of Banking and Financial and graduated Master' degree in General Management at BBU University. He participated in training courses related management. Before he had worked in SAMRITHISAK, he had been as Chief of Marketing of THIASARA Co., Ltd in 2004 in Cambodia.

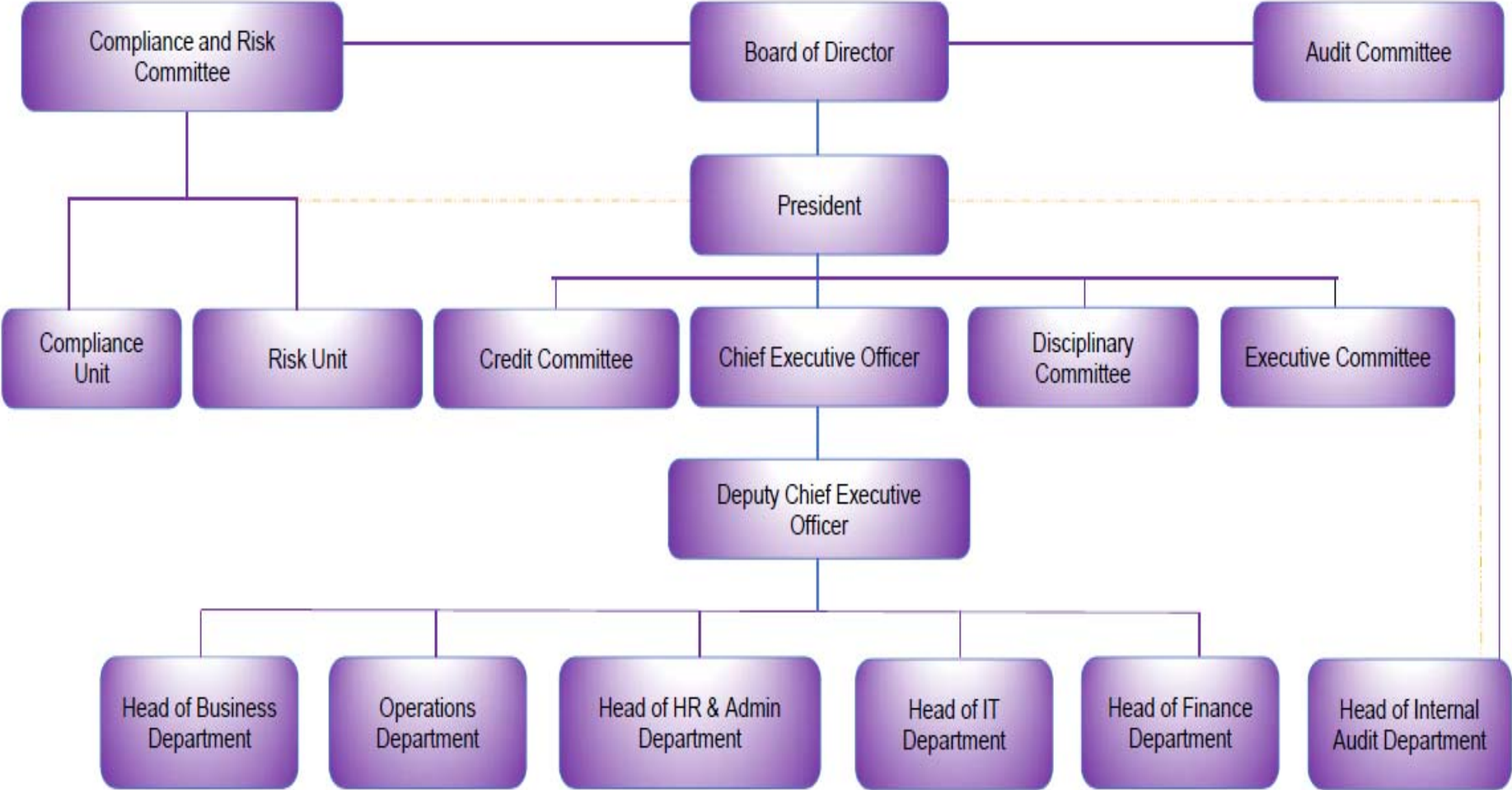




SAMRITHISAK – Partner



**Organizational Chat**





## 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 2019.

### 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 2019 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 Directors 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 Directors 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 2019.

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 2019 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 2019 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

30 APR 2020



## Independent auditor's report

To the shareholders of Samrithisak Microfinance Limited

### Our opinion

In our opinion, the financial statements of Samrithisak Microfinance Limited (“the Company”) present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting 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 2019;  
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 flow for the year then ended; and  
the notes to the financial statements, which include a summary of significant accounting policies.

### 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the requirements of Kampuchea Institute of Certified Public Accountants and Auditors' Code of Ethics for Certified Public Accountants and Auditors (KICPAA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and ethical requirements of 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information 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 and 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 Kuy Lim  
Partner

Phnom Penh, Kingdom of Cambodia  
30 April 2020



## Statement of Financial Position

	Note	31 December 2019		31 December 2018		01 January 2018	
		US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<b>ASSETS</b>							
Cash on hand		183,175	746,438	108,674	436,652	171,148	690,924
Deposits and placements with the Central Bank and other financial institutions	6	1,055,271	4,300,229	276,615	1,111,439	426,578	1,722,095
Loans and advances at amortised cost	7	28,301,940	115,330,40	23,294,928	93,599,021	13,421,262	54,181,635
Statutory deposits with the Central Bank	8	750,000	3,056,250	500,000	2,009,000	250,000	1,009,250
Other assets	9	37,646	153,407	50,956	204,741	37,631	151,916
Property and equipment	10	514,486	2,096,530	479,139	1,925,181	439,848	1,775,666
Intangible assets	11	10,280	41,891	3,246	13,042	4,534	18,304
Deferred tax assets	12(a)	41,160	167,727	41,695	167,531	2,235	9,023
			125,892,87				
<b>TOTAL ASSETS</b>		<b>30,893,958</b>	<b>8 125,892,87</b>	<b>24,755,253</b>	<b>99,466,607</b>	<b>14,753,236</b>	<b>59,558,813</b>
<b>LIABILITIES AND EQUITY</b>							
<b>LIABILITIES</b>							
Other liabilities	13	597,811	2,436,079	133,913	538,062	205,688	830,362
Borrowings	14	10,687,144	43,550,112	10,804,409	43,412,115	6,769,940	27,330,248
Current income tax liabilities	12(b)	217,458	886,141	232,927	935,901	62,407	251,937
Seniority payment obligations	15	19,576	79,772	21,328	85,696	-	-
<b>TOTAL LIABILITIES</b>		<b>11,521,989</b>	<b>46,952,104</b>	<b>11,192,577</b>	<b>44,971,774</b>	<b>7,038,035</b>	<b>28,412,547</b>
<b>EQUITY</b>							
Share capital	16	15,000,000	60,670,000	10,000,000	40,410,000	5,000,000	20,185,000
Capital contributions	17	1,732,988	7,001,413	1,525,762	6,161,733	1,246,794	5,033,307
Reserves	18	278,606	1,729,309	222,205	594,086	33,055	133,443
Retained earnings		2,360,375	9,540,052	1,814,709	7,329,014	1,435,352	5,794,516
<b>TOTAL EQUITY</b>		<b>19,371,969</b>	<b>78,940,774</b>	<b>13,562,676</b>	<b>54,494,833</b>	<b>7,715,201</b>	<b>31,146,266</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>30,893,958</b>	<b>8 125,892,87</b>	<b>24,755,253</b>	<b>99,466,607</b>	<b>14,753,236</b>	<b>59,558,813</b>

The accompanying notes on pages 12 to 39 form an integral part of these financial statements.

## Statement of Comprehensive Income

	Note	2019		2018	
		US\$	KHR'000	US\$	KHR'000
Interest income	19	4,450,902	18,035,055	3,461,524	14,001,865
Interest expense	20	(967,797)	(3,921,513)	(721,878)	(2,919,997)
Net interest income		<u>3,483,105</u>	<u>14,113,542</u>	<u>2,739,646</u>	<u>11,081,868</u>
Fee and commission income		3,622	14,676	1,652	6,682
Fee and commission expense		(14,003)	(56,740)	(14,523)	(58,746)
Net fee and commission expense		<u>(10,381)</u>	<u>(42,064)</u>	<u>(12,871)</u>	<u>(52,064)</u>
Allowances for impairment losses on loans and advances	21	(22,354)	(90,578)	(53,629)	(216,929)
Other operating income		31,288	126,779	3,757	15,197
Net other operating income/(loss)		<u>8,934</u>	<u>36,201</u>	<u>(49,872)</u>	<u>(201,732)</u>
Personnel expenses	22	(1,863,531)	(7,551,028)	(1,244,663)	(5,034,662)
General and administrative expenses	23	(643,035)	(2,605,578)	(509,043)	(2,059,079)
Depreciation and amortisation charges		(119,532)	(484,344)	(126,738)	(512,655)
Operating profit		<u>855,560</u>	<u>3,466,729</u>	<u>796,459</u>	<u>3,221,676</u>
Income tax expenses	12(c)	(253,493)	(1,027,154)	(227,952)	(922,066)
Profit for the year		<u>602,067</u>	<u>2,439,575</u>	<u>568,507</u>	<u>2,299,610</u>
Other comprehensive income: Items that will not be reclassified to profit or loss					
Currency translation differences		-	906,686	-	(304,469)
Other comprehensive income for the year		<u>-</u>	<u>906,686</u>	<u>-</u>	<u>(304,469)</u>
Total comprehensive income for the year		<u>602,067</u>	<u>3,346,261</u>	<u>568,507</u>	<u>1,995,141</u>
Profit for the year attributable to: Owners of the Company		<u>602,067</u>	<u>2,439,575</u>	<u>568,507</u>	<u>2,299,610</u>
Total comprehensive income attributable to: Owners of the Company		<u>602,067</u>	<u>3,346,261</u>	<u>568,507</u>	<u>1,995,141</u>

The accompanying notes on pages 12 to 39 form an integral part of these financial statements.

	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 2018 as previously reported	5,000,000	20,185,000	-	-	-	-	1,784,457	7,203,851	6,784,457	27,388,851
Effects on application of the new accounting policy for first-time adopter (Note 4)	-	-	1,246,794	5,033,307	33,055	133,443	(349,105)	(1,409,335)	930,744	3,757,415
Restated balance at 1 January 2018	5,000,000	20,185,000	1,246,794	5,033,307	33,055	133,443	1,435,352	5,794,516	7,715,201	31,146,266
Profit for the year	-	-	-	-	-	-	568,507	2,299,610	568,507	2,299,610
Currency translation differences	-	-	-	-	-	(304,469)	-	-	-	(304,469)
Total comprehensive income for the year	-	-	-	-	-	(304,469)	568,507	2,299,610	568,507	1,995,141
Transactions with the owners										
Capital injection	5,000,000	20,225,000	-	-	-	-	-	-	5,000,000	20,225,000
Capital contribution	-	-	278,968	1,128,426	-	-	-	-	278,968	1,128,426
Transfer to regulatory reserves	-	-	-	-	189,150	765,112	(189,150)	(765,112)	-	-
	5,000,000	20,225,000	278,968	1,128,426	189,150	765,112	(189,150)	(765,112)	5,278,968	21,353,426
As at 31 December 2018	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
Restated balance as 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

(\*) see Note 4 for the restatement due to the effects on application of the new accounting policy for first-time adopter. The accompanying notes on pages 12 to 39 form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

	Note	2019		2018	
		US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities					
Profit before income tax		855,560	3,466,729	796,459	3,221,676
Adjustments for:					
Allowance for impairment losses on loans and advances		39,680	160,783	55,618	224,975
Depreciation and amortisation charges		119,532	484,344	126,738	512,655
Employment seniority payment obligations		(1,752)	(7,099)	21,328	86,272
Unrealised exchange rate (gain)/loss		(14,514)	(58,811)	4,665	18,870
Loss on disposal of property and equipment		1,409	5,709	389	1,574
Interest income		(4,450,902)	(18,035,055)	(3,461,524)	(14,001,865)
Interest expense		967,797	3,921,513	721,878	2,919,997
		<u>(2,483,190)</u>	<u>(10,061,887)</u>	<u>(1,734,449)</u>	<u>(7,015,846)</u>
Changes in:					
Loans and advances at amortised cost		(5,119,061)	(20,742,435)	(9,946,588)	(40,233,948)
Other assets		13,310	53,932	(13,325)	(53,900)
Other liabilities		453,898	1,839,195	(71,775)	(290,330)
Cash used in operations		<u>(7,135,043)</u>	<u>(28,911,195)</u>	<u>(11,766,137)</u>	<u>(47,594,024)</u>
Interest received		4,522,800	18,326,386	3,479,283	14,073,700
Interest paid		(631,631)	(2,559,369)	(419,571)	(1,697,165)
Income tax paid	12(b)	(268,594)	(1,088,343)	(96,892)	(391,928)
Net cash used in operating activities		<u>(3,512,468)</u>	<u>(14,232,521)</u>	<u>(8,803,317)</u>	<u>(35,609,417)</u>
Cash flows from investing activities					
Statutory deposits with central bank		(250,000)	(1,013,000)	(250,000)	(1,011,250)
Purchases of property and equipment		(152,050)	(616,107)	(163,473)	(661,248)
Purchases of intangible assets		(1,272)	(5,154)	(1,958)	(7,920)
Proceeds from disposals of property and equipment		-	-	301	1,218
Net cash used in investing activities		<u>(403,322)</u>	<u>(1,634,261)</u>	<u>(415,130)</u>	<u>(1,679,200)</u>
Cash flows from financing activities					
Proceeds from additional paid-up Capital		-	-	5,000,000	20,225,000
Proceeds from borrowings		6,173,901	25,016,647	5,165,889	20,896,021
Repayments of borrowings		(1,405,601)	(5,695,495)	(1,159,424)	(4,689,870)
Net cash generated from financing activities		<u>4,768,300</u>	<u>19,321,152</u>	<u>9,006,465</u>	<u>36,431,151</u>
Net increase/(decrease) in cash and cash equivalents		852,510	3,454,370	(211,982)	(857,466)
Cash and cash equivalents at the beginning of year		384,889	1,546,483	596,871	2,409,567
Currency translation difference		-	41,548	-	(5,618)
Cash and cash equivalents at the end of year	04	<u>1,237,399</u>	<u>5,042,401</u>	<u>384,889</u>	<u>1,546,483</u>

## Non-cash transactions

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Capital contribution	207,226	839,680	278,968	1,128,426
Reserves	56,401	228,537	189,150	765,112
Purchase on intangible assets	10,000	40,520	-	-
Conversion of borrowing from shareholder to share capital (Note 16)	5,000,000	20,260,000	-	-

The accompanying notes on pages 12 to 39 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 [Date].

## 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

On 28 August 2009, the National Accounting Council of the Ministry of Economy and Finance (“the National Accounting Council”) announced the adoption of Cambodian International Financial Reporting Standard for Small and Medium-sized Entities (“CIFRS for SMEs”).

This is the first set of financial statements prepared by the Company in accordance with CIFRS for SMEs. The Company's financial statements for the year ended 31 December 2018 were prepared in accordance with Cambodian Accounting Standards (CAS) and



guidelines issued by the Central Bank. CAS and guidelines issued by the National Bank of Cambodia differ in certain material respects from CIFRS for SMEs.

Reconciliations and descriptions of the effect of the transition from CAS and guidelines issued by the Central Bank to CIFRS for SMEs on the Company's equity and total comprehensive income are given in Note 4.

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 judgments or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currency translation

#### Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The US\$ reflects the economic substance of underlying events and circumstances of the Company. The financial statements are therefore presented in US\$, which is the Company's functional 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 the statement of comprehensive income.

#### Presentation in Khmer Riel

In compliance with the Law on Accounting and Auditing, a translation of the financial statements from US\$ to Khmer Riel is required. The statements of comprehensive income and cash flows are translated into Khmer Riel using the average rates for the years. Assets and liabilities for each statement of financial position presented are translated at the closing rates as of the reporting dates. Resulting exchange difference arising from the translation is recognised in the other comprehensive income.

The Company has used the official rates of exchange published by the National Bank of Cambodia. As at the reporting date, the yearly average rate was US\$ 1 to Riel 4,052 (2018:

US\$ 1 to Riel 4,045) and the closing rate was US\$1 to Riel 4,075 (2018: US\$ 1 to Riel 4,018).

For the purpose of presentation as at 1 January 2018, the closing rate was US\$ 1 to Riel 4,037.

## 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 (deposits and placements with banks, 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)

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.

#### 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.

#### 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 statement of comprehensive income using the following methods:

	<b>Depreciation rate</b>	<b>Depreciation method</b>
Leasehold improvement	5%	Straight-line
Office equipment	25%	Declining balance

Computer equipment	50%	Declining balance
Furniture and fixtures	25%	Declining balance
Motor vehicles	25%	Declining balance

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.6 Property and equipment (continued)

On 14 June 2019, the Company has changed the depreciation method from declining balance to straight-line with the estimated useful life as follows:

	<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

Change in depreciation method above results in decreasing depreciation expense of US\$23,046 in the statement of comprehensive income for the year ended 31 December 2019.

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.

### 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 licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use. These costs are amortised to the statement of comprehensive income at the rate of 50% using declining balance method.

On 14 June 2019, the Company has changed the depreciation method from declining balance to straight-line with the estimated useful life of 10 years. This change results in decreasing amortisation expense of US\$5,266 in the statement of comprehensive income for the year ended 31 December 2019.

Costs associated with maintaining computer software are recognised as expenses when incurred.



## 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 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 042/29 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 estimate future payments by references to the high quality corporate bond of the currency that the liability is denominated.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 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.

### 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.

## Reserves

Reserves comprise of regulatory reserves and other reserves.

### Regulatory reserves

Banks and financial institutions are required to compute regulatory provisions, according to Prakas 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 regulatory 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.

## 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 believed 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.

### (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.

## TRANSITION TO CIFRS for SMEs

The Company's financial statements for the year ended 31 December 2019 are the first annual financial statements prepared in accordance with CIFRS for SMEs.

The Company's CIFRS for SMEs accounting policies presented in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information, and the opening statement of financial position.

The transition to CIFRS for SMEs has resulted in a number of changes in the Company's accounting policies compared to those used when applying CAS and guidelines issued by the Central Bank.

The following explanatory notes to the financial statements describe the differences between the equity and total comprehensive income presented under CAS and the newly presented amounts under CIFRS for SMEs for the reporting period ended at 31 December 2018 as well as the equity presented in the opening statement of financial position (ie at 1 January 2018). It also describes all the required changes in accounting policies made on first-time adoption of the CIFRS for SMEs.

In the table below equity determined in accordance with CIFRS for SMEs is reconciled to equity determined in accordance with CAS and guidelines issued by the Central Bank at both 1 January 2018 (the date of transition to CIFRS for SMEs) and 31 December 2018 (the end of the latest period presented in the most recent financial statements prepared in accordance with CAS and guidelines issued by the Central Bank).

### 4.1 Reconciliation of equity

	As at 31 December 2018		As at 1 January 2018	
	US\$	KHR'000	US\$	KHR'000
Equity as reported under CAS and NBC guidelines	12,510,670	50,267,872	6,784,457	27,388,851
Effect of transition to CIFRS for SMEs (Note 4.3a)	<u>1,052,006</u>	<u>4,226,961</u>	<u>930,744</u>	<u>3,757,415</u>
Equity as reported under CIFRS for SMEs	<u>13,562,676</u>	<u>54,494,833</u>	<u>7,715,201</u>	<u>31,146,266</u>

### 4.2 Reconciliation of total comprehensive income

	31 December 2018	
	US\$	KHR'000
Total comprehensive income as reported under CAS and NBC guidelines	726,213	2,917,923
Effect of transition to CIFRS for SMEs (Note 4.3b)(*)	<u>(157,706)</u>	<u>(922,782)</u>
Total comprehensive income as reported under CIFRS for SMEs	<u>568,507</u>	<u>1,995,141</u>



(\*) Presentation currency

In accordance with NBC Prakas No. B7-07-164, dated 13 December 2007, the financial statements were translated to Khmer riel (KHR) using one rate which is the closing rate (US\$1 to KHR4,018) as at 31 December 2018. Following section 30 of CIFRS for SMEs, the statement of comprehensive income for the year ended 31 December 2018 has been retranslated into Khmer Riel using the average rate for the year which was US\$1 to KHR 4,045. For practical reason, the Company did not show reconciliation of each item of income and expenses in the statement of comprehensive income for the year ended 31 December 2018. The impact of the retranslation from closing rate to average rate is not material and is reported as other comprehensive income and other reserves.

#### 4. TRANSITION TO CIFRS for SMEs (continued)

##### 4.3a Effects of transition to CIFRS for SMEs (detailed reconciliation of equity)

	Note	CAS and NBC's guidelines As at 1 January 2018		Effects of transition to CIFRS for SMEs As at 1 January 2018		CIFRS for SMEs As at 1 January 2018	
		US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<b>ASSETS</b>							
Cash on hand		171,148	690,924	-	-	171,148	690,924
Deposits and placements with central bank and other financial institutions	a,b	675,723	2,727,893	(249,145)	(1,005,798)	426,578	1,722,095
Loans and advances at amortised cost	c	13,319,408	53,770,450	101,854	411,185	13,421,262	54,181,635
Statutory deposits with central bank	a	-	-	250,000	1,009,250	250,000	1,009,250
Other assets	b,c	146,660	592,066	(109,029)	(440,150)	37,631	151,916
Property and equipment		439,848	1,775,666	-	-	439,848	1,775,666
Intangible assets		4,534	18,304	-	-	4,534	18,304
Deferred tax assets	e	-	-	2,235	9,023	2,235	9,023
<b>TOTAL ASSETS</b>		<b>14,757,321</b>	<b>59,575,303</b>	<b>(4,085)</b>	<b>(16,490)</b>	<b>14,753,236</b>	<b>59,558,813</b>
<b>LIABILITIES AND EQUITY</b>							
<b>LIABILITIES</b>							
Other liabilities	d	223,454	902,084	(17,766)	(71,722)	205,688	830,362
Borrowings	d	7,686,426	31,030,102	(916,486)	(3,699,854)	6,769,940	27,330,248
Current income tax liabilities	e	62,984	254,266	(577)	(2,329)	62,407	251,937
<b>TOTAL LIABILITIES</b>		<b>7,972,864</b>	<b>32,186,452</b>	<b>(934,829)</b>	<b>(3,773,905)</b>	<b>7,038,035</b>	<b>28,412,547</b>
<b>EQUITY</b>							
Share capital		5,000,000	20,185,000	-	-	5,000,000	20,185,000
Capital contribution	d	-	-	1,246,794	5,033,307	1,246,794	5,033,307
Reserves	f	-	-	33,055	133,443	33,055	133,443
Retained earnings		1,784,457	7,203,851	(349,105)	(1,409,335)	1,435,352	5,794,516
<b>TOTAL EQUITY</b>		<b>6,784,457</b>	<b>27,388,851</b>	<b>930,744</b>	<b>3,757,415</b>	<b>7,715,201</b>	<b>31,146,266</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>14,757,321</b>	<b>59,575,303</b>	<b>(4,085)</b>	<b>(16,490)</b>	<b>14,753,236</b>	<b>59,558,813</b>

#### 4. TRANSITION TO CIFRS for SMEs (continued)

##### 4.3a Effects of transition to CIFRS (detailed reconciliation of equity) (continued)

	Note	CAS and NBC's guidelines		Effects of transition to CIFRS		CIFRS for SMEs	
		As at 31 December 2018		As at 31 December 2018		As at 31 December 2018	
		US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<b>ASSETS</b>							
Cash on hand		108,674	436,652	-	-	108,674	436,652
Deposits and placements with central bank and financial Institutions	b	775,012	3,113,998	(498,397)	(2,002,559)	276,615	1,111,439
Loans and advances at amortised cost	c	23,022,427	92,504,112	272,501	1,094,909	23,294,928	93,599,021
Statutory deposits with central bank	a	-	-	500,000	2,009,000	500,000	2,009,000
Other assets	b,c	250,262	1,005,553	(199,306)	(800,812)	50,956	204,741
Property and equipment		479,139	1,925,181	-	-	479,139	1,925,181
Intangible assets		3,246	13,042	-	-	3,246	13,042
Deferred income tax assets	e	70,487	283,217	(28,792)	(115,686)	41,695	167,531
<b>TOTAL ASSETS</b>		<b>24,709,247</b>	<b>99,281,755</b>	<b>46,006</b>	<b>184,852</b>	<b>24,755,253</b>	<b>99,466,607</b>
<b>LIABILITIES AND EQUITY</b>							
<b>LIABILITIES</b>							
Other liabilities	d	175,656	705,787	(41,743)	(167,725)	133,913	538,062
Borrowings	d	11,697,556	47,000,780	(893,147)	(3,588,665)	10,804,409	43,412,115
Current income tax liabilities	e	233,298	937,391	(371)	(1,490)	232,927	935,901
Employment seniority payment obligations	g	92,067	369,925	(70,739)	(284,229)	21,328	85,696
<b>TOTAL LIABILITIES</b>		<b>12,198,577</b>	<b>49,013,883</b>	<b>(1,006,000)</b>	<b>(4,042,109)</b>	<b>11,192,577</b>	<b>44,971,774</b>
<b>EQUITY</b>							
Share capital		10,000,000	40,180,000	-	230,000	10,000,000	40,410,000
Capital contribution	d	-	-	1,525,762	6,161,733	1,525,762	6,161,733
Reserves	f	-	-	222,205	594,086	222,205	594,086
Retained earnings		2,510,670	10,087,872	(695,961)	(2,758,858)	1,814,709	7,329,014
<b>TOTAL EQUITY</b>		<b>12,510,670</b>	<b>50,267,872</b>	<b>1,052,006</b>	<b>4,226,961</b>	<b>13,562,676</b>	<b>54,494,833</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>24,709,247</b>	<b>99,281,755</b>	<b>46,006</b>	<b>184,852</b>	<b>24,755,253</b>	<b>99,466,607</b>

#### 4. TRANSITION TO CIFRS for SMEs (continued)

##### 4.3b Effects of transition to CIFRS for SMEs (detailed reconciliation of total comprehensive income)

	Note	CAS and NBC's guidelines For the year ended 31 December 2018		Effects of transition to CIFRS for SMEs For the year ended 31 December 2018		CIFRS for SMEs For the year ended 31 December 2018	
		US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Interest income	c	3,042,606	12,225,191	418,918	1,776,674	3,461,524	14,001,865
Interest expense	d	<u>(434,532)</u>	<u>(1,745,950)</u>	<u>(287,346)</u>	<u>(1,174,047)</u>	<u>(721,878)</u>	<u>(2,919,997)</u>
Net interest income		<u>2,608,074</u>	<u>10,479,241</u>	<u>131,572</u>	<u>602,627</u>	<u>2,739,646</u>	<u>11,081,868</u>
Fee and commission income	c	-	-	1,652	6,682	1,652	6,682
Fee and commission expense	h	<u>-</u>	<u>-</u>	<u>(14,523)</u>	<u>(58,746)</u>	<u>(14,523)</u>	<u>(58,746)</u>
Net fee and commission income/(expense)		<u>-</u>	<u>-</u>	<u>(12,871)</u>	<u>(52,064)</u>	<u>(12,871)</u>	<u>(52,064)</u>
Allowances for impairment losses on facilities	c	<u>(244,768)</u>	<u>(983,478)</u>	191,139	766,549	<u>(53,629)</u>	<u>(216,929)</u>
Other operating income	c	<u>535,162</u>	<u>2,150,281</u>	<u>(531,405)</u>	<u>(2,135,084)</u>	<u>3,757</u>	<u>15,197</u>
Net other operating income/(loss)		<u>290,394</u>	<u>1,166,803</u>	<u>(340,266)</u>	<u>(1,368,535)</u>	<u>(49,872)</u>	<u>(201,732)</u>
Personnel expenses	g	<u>(1,315,474)</u>	<u>(5,285,575)</u>	70,811	250,913	<u>(1,244,663)</u>	<u>(5,034,662)</u>
General and administrative expenses	d	<u>(533,324)</u>	<u>(2,142,896)</u>	24,281	83,817	<u>(509,043)</u>	<u>(2,059,079)</u>
Depreciation and amortisation charges		<u>(126,738)</u>	<u>(509,233)</u>	-	<u>(3,422)</u>	<u>(126,738)</u>	<u>(512,655)</u>
Operating profit		<u>922,932</u>	<u>3,708,340</u>	<u>(126,473)</u>	<u>(486,664)</u>	<u>796,459</u>	<u>3,221,676</u>
Income tax expenses	e	<u>(196,719)</u>	<u>(790,417)</u>	<u>(31,233)</u>	<u>(131,649)</u>	<u>(227,952)</u>	<u>(922,066)</u>
Profit for the year		<u>726,213</u>	<u>2,917,923</u>	<u>(157,706)</u>	<u>(618,313)</u>	<u>568,507</u>	<u>2,299,610</u>
Other comprehensive income: Items that will not be reclassified to profit or loss							
Currency translation differences		<u>-</u>	<u>-</u>	<u>-</u>	<u>(304,469)</u>	<u>-</u>	<u>(304,469)</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>(304,469)</u>	<u>-</u>	<u>(304,469)</u>
Total comprehensive income for the year		<u>726,213</u>	<u>2,917,923</u>	<u>(157,706)</u>	<u>(922,782)</u>	<u>568,507</u>	<u>1,995,141</u>
Profit attributable to: Owners of the Company		<u>726,213</u>	<u>2,917,923</u>	<u>(157,706)</u>	<u>(618,313)</u>	<u>568,507</u>	<u>2,299,610</u>
Total comprehensive income attributable to: Owners of the Company		<u>726,213</u>	<u>2,917,923</u>	<u>(157,706)</u>	<u>(922,782)</u>	<u>568,507</u>	<u>1,995,141</u>

#### 4. TRANSITION TO CIFRS for SMEs (continued)

##### 4.3b Effects of transition to CIFRS for SMEs (detailed reconciliation of total comprehensive income) (continued)

Presented below are the notes to the above reconciliation of equity and total comprehensive income:

##### Notes to the reconciliation of equity and total comprehensive income

##### Statutory deposits with the Central Bank

The Company reclassifies the balance of statutory deposit from 'Deposits and placements with the Central Bank and other financial institutions' to Statutory deposit with the Central Bank account because the deposits do not meet financial assets definition under section 11 of CIFRS for SMEs.

##### Regulatory provision for deposits and placements with other banks measured at amortised cost

In accordance with CAS and NBC's guidelines, the 1% regulatory provision is made on the deposits and placements with banks as allowance for impairment loss. In accordance with CIFRS for SMEs, the allowance is made only when there is objective evidence of impairment loss. Consequently, the Company reverses the allowance for impairment loss of US\$1,203 for the balance at 31 December 2018 from the balance of deposits and placements with the Central Bank and other financial institutions.

The Company also reclassifies the accrued interest receivable of US\$855 for the balance at 1 January 2018 and US\$400 for the balance at 31 December 2018 from other assets to deposits and placements with the Central Bank and other financial institutions to comply with the presentation of deposits and placements measured at amortised cost in accordance with CIFRS for SMEs.

##### Loans and advances measured at amortised cost and interest income

In accordance with CAS and NBC's guidelines, the allowance for impairment losses on loans and advances was made in accordance with 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 grading and impairment provisioning for banks and financial institutions. In accordance with CIFRS for SMEs, the allowance is made only when there is objective evidence of impairment loss on loans and advances. Consequently, the Company adjusts the allowance of US\$33,055 and US\$221,002 to the loans and advances balance for the balance at 1 January 2018 and 31 December 2018 respectively. Because of the changes in allowance, the allowance for impairment loss for 2018 in the statement of comprehensive income also decreases by US\$189,149.

The Company also reclassifies the accrued interest receivable of US\$108,174 for the balance at 1 January 2018 and US\$198,906 for the balance at 31 December 2018 from other assets to loans and advances at amortised cost to comply with the presentation of loans measured at amortised cost in accordance with CIFRS for SMEs.



In accordance with CAS and NBC's guidelines, the interest income is recognised on accrual basis based on the contractual interest rate while the transaction fees including loan processing fees and administrative fees that are recognised as separate fee and commission income when loan is disbursed. Where a loan becomes non-performing, the recording of interest income on loans to customers is suspended until it is realised on a cash basis. In accordance with CIFRS for SMEs, interest income is recognised using the effective interest method by including any fees or incremental costs that are directly attributable to the loans, which are an integral part of the effective interest rate. Consequently, the Company reclassifies the processing fee and administrative fee from other operating income to offset with loans and advances at amortised cost of US\$76,125 at 1 January 2018 and US\$164,584 at 31 December 2018 respectively and to the interest income of US\$401,741 for 2018 to account for the effects of interest income recognition using the effective interest method.

#### 4. TRANSITION TO CIFRS for SMEs (continued)

##### 4.3b Effects of transition to CIFRS for SMEs (detailed reconciliation of total comprehensive income) (continued)

###### (c) Loans and advances measured at amortised cost and interest income (continued)

In addition, interest income and receivable of US\$30,812 at 1 January 2018 and US\$9,563 at 31 December 2018 respectively from non-performing loans are also adjusted due to the effects of effective interest rate and carrying amount of the loans after offsetting the allowance for impairment losses.

The Company also adjusts interest income and receivable of US\$5,938 at 1 January 2018 and US\$7,614 at 31 December 2018 respectively which should have been recognised during the years.

In accordance with previous accounting policies, the recovery of previously written-off loans is recognised as other operating income. But in accordance with CIFRS for SMEs, the recovery is to be offset with the allowance for impairment loss recognised during the year. Consequently, the recovery of previously written-off loans amounting to US\$1,990 is reclassified from other operating income to offset with the allowance for impairment losses in the statement of comprehensive income.

###### Borrowings measured at amortised cost, interest expense and capital contribution

In accordance with its previous accounting policies, the transaction costs related to the borrowings obtained from lenders such as processing fees, lawyer fees, etc. are recognised as general and administrative expense when they are incurred. In accordance with CIFRS for SMEs, such costs are amortised as interest expense using the effective interest method. Consequently, transaction costs are reclassified from general and administrative expense to borrowings of US\$1,084 for the balance at 1 January 2018 and of US\$7,238 for the balance at 31 December 2018.

In addition, the accrued interest payable of US\$17,766 at 1 January 2018 and US\$41,743 at 31 December 2018 respectively are reclassified from other liabilities to borrowings to

comply with the presentation of borrowings measured at amortised costs in accordance with CIFRS for SMEs.

The Company also adjusts interest expense and payable of US\$8,826 at 1 January 2018 and US\$10,671 at 31 December 2018 respectively which should have been recognised during the years.

In accordance with its previous accounting policies, borrowings from shareholders are recognised at cost and subsequently stated at the outstanding principal. In accordance with CIFRS for SMEs, the borrowings are initially recognised at fair value (the present value of the future cash payments discounted at a market rate of interest for a similar borrowing) and subsequently at amortised cost. Differences between the amount of cash received and the present value of the future cash payments are recognised as capital contribution in equity. Consequently, amount of US\$1,246,794 for balance at 1 January 2018 and US\$1,525,762 for balance at 31 December 2018 are adjusted from borrowings from shareholders and recognised as capital contribution in equity, which result in additional interest expense of US\$587,439 to be recognised in 2018. The Company also adjusts amount of US\$304,800 for borrowing balance at 1 January 2018 and amount of US\$587,439 for borrowing balance at 31 December 2018 due to effect of amortised cost measurement.

#### 4. TRANSITION TO CIFRS for SMEs (continued)

##### 4.3b Effects of transition to CIFRS for SMEs (detailed reconciliation of total comprehensive income) (continued)

###### (e) Income tax expense

Because of the restatement of loan and advances at amortised cost, borrowings and employment seniority payment obligations, the deferred tax assets are adjusted to increase by US\$2,235 as at 1 January 2018 and to decrease by US\$28,792 as at 31 December 2018.

In addition, the current tax liabilities are adjusted due to the effects of unrecognised interest income and expense in 2017 and 2018. The net effect of US\$31,233 is adjusted to the income tax expenses during the year ended 31 December 2018.

###### (f) Reserves

According to Prakas 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, the Company is required to transfer its retained earnings of US\$33,055 and US\$222,205 to the regulatory reserves as at 1 January 2018 and 31 December 2018 respectively because the accumulated regulatory provision is higher than the accumulated impairment based on CIFRS for SMEs.

(g) Employment seniority payment obligations

The past service seniority payment obligations as at 31 December 2018 were restated to comply with the recognition of other long term employment benefits in accordance with CIFRS for SMEs. The effect of US\$70,811 is adjusted to the personnel expenses during the year ended 31 December 2018.

(h) Fee and commission expense

Bank charges related to the transfer of funds to branches for loan disbursement and CBC fees charged which is not part of the loan transaction costs of US\$14,543 are reclassified from general and administrative expense to fee and commission expense to comply with the presentation of the expenses in accordance with CIFRS for SMEs

## FINANCIAL INSTRUMENTS

	<u>2019</u>		<u>2018</u>	
	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>
Financial assets				
Cash on hand	183,175	746,438	108,674	436,652
Deposits and placements with central bank and other banks	1,055,271	4,300,229	276,615	1,111,439
Loans and advances at amortised cost	28,301,940	115,330,406	23,294,928	93,599,021
Other assets	16,000	65,200	14,800	59,466
	<u>29,556,386</u>	<u>120,442,273</u>	<u>23,695,017</u>	<u>95,206,578</u>
Financial liabilities				
Borrowings	10,687,144	43,550,112	10,804,409	43,412,115
Other liabilities	298,690	1,217,162	93,525	375,783
	<u>10,985,834</u>	<u>44,767,274</u>	<u>10,897,934</u>	<u>43,787,898</u>

## BALANCES WITH THE CENTRAL BANK AND OTHER FINANCIAL INSTITUTIONS

	<u>2019</u>		<u>2018</u>	
	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>
Balance with central bank and other bank at amortised cost:				
Balances with the Central Bank	7,886	32,135	3,196	12,842
Balances with other financial institutions	1,047,385	4,268,094	273,419	1,098,597
	<u>1,055,271</u>	<u>4,300,229</u>	<u>276,615</u>	<u>1,111,439</u>

a) By maturity

	<u>2019</u>		<u>2018</u>	
	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>
Current	1,055,271	4,300,229	276,615	1,111,439

b) Interest rates

	<u>As at 31 December 2019</u>	<u>As at 31 December 2018</u>
Balance with the Central Bank	0%	0%
Balance with other financial institutions	0% - 3.3%	0% - 2.25%

LOANS AND ADVANCES AT AMORTISED COST

	<u>2019</u>		<u>2018</u>	
	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>
Individual loans	28,346,273	115,511,062	23,334,214	93,756,872
Less: allowance for impairment losses on loans and advances	<u>(44,333)</u>	<u>(180,656)</u>	<u>(39,286)</u>	<u>(157,851)</u>
Net loans and advances at amortised cost	<u>28,301,940</u>	<u>115,330,406</u>	<u>23,294,928</u>	<u>93,599,021</u>

Allowance for impairment losses on loans and advances

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

	<u>2019</u>		<u>2018</u>	
	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>
At the beginning of the year	39,286	157,851	58,049	234,344
Charged for the year	39,680	160,783	55,618	224,975
Written off during the year	(34,457)	(139,620)	(74,381)	(300,871)
Unrealised exchange rate loss	(176)	(713)	-	-
Currency translation difference	-	2,355	-	(597)
At the end of the year	<u>44,333</u>	<u>180,656</u>	<u>39,286</u>	<u>157,851</u>

LOANS AND ADVANCES AT AMORTISED COST (continued)

Analysis by maturity

	<u>2019</u>		<u>2018</u>	
	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>
Not later than one year	528,649	2,154,245	662,512	2,661,973
Later than one year and not later than three years	3,373,833	13,748,369	3,532,586	14,193,931
Later than three years and not later than five years	7,367,062	30,020,778	8,228,131	33,060,630
Later than five years	<u>17,076,729</u>	<u>69,587,670</u>	<u>10,910,985</u>	<u>43,840,338</u>
	<u>28,346,273</u>	<u>115,511,062</u>	<u>23,334,214</u>	<u>93,756,872</u>

## Analysis by currency

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
US Dollars	25,370,760	103,385,847	22,571,441	90,692,050
Khmer Riel	2,975,513	12,125,215	762,773	3,064,822
Individual loans	<u>28,346,273</u>	<u>115,511,062</u>	<u>23,334,214</u>	<u>93,756,872</u>

## Analysis by interest rate

The annual interest rates for loans disbursed during the year are as follows:

	2019	2018
Individual loans	3% - 18%	3% - 18%

The loans and advances include the loans to related parties (note 25b).

## 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.

## OTHER ASSETS

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Advances and deposits	25,486	103,855	40,821	164,019
Prepaid expenses	12,160	49,552	10,135	40,722
	<u>37,646</u>	<u>153,407</u>	<u>50,956</u>	<u>204,741</u>

All other assets are recoverable within one year from the financial position date except for advances and deposits amounting to US\$16,000 (2018: US\$14,800) which is due to be realised more than one year.

## PROPERTY AND EQUIPMENT

	Leasehold improvement US\$	Motor vehicles US\$	Office equipment US\$	Computer equipment US\$	Furniture and fixtures US\$	Total US\$
<b>Cost</b>						
As at 1 January 2019	260,892	266,180	74,191	123,281	42,721	767,265
Additions	34,382	71,700	32,661	8,741	4,566	152,050
Written off	-	-	(315)	(1,319)	-	(1,634)
As at 31 December 2019	<u>295,274</u>	<u>337,880</u>	<u>106,537</u>	<u>130,703</u>	<u>47,287</u>	<u>917,681</u>
<b>Less: Accumulated depreciation</b>						
As at 1 January 2019	41,482	106,661	34,422	86,260	19,301	288,126
Depreciation charge	26,043	41,328	21,118	17,231	10,503	116,223
Written off	-	-	(151)	(1,003)	-	(1,154)
As at 31 December 2019	<u>67,525</u>	<u>147,989</u>	<u>55,389</u>	<u>102,488</u>	<u>29,804</u>	<u>403,195</u>
<b>Net book value</b>						
As at 31 December 2018	<u>219,410</u>	<u>159,519</u>	<u>39,769</u>	<u>37,021</u>	<u>23,420</u>	<u>479,139</u>
In KHR'000 equivalent	<u>881,589</u>	<u>640,947</u>	<u>159,792</u>	<u>148,750</u>	<u>94,102</u>	<u>1,925,180</u>
As at 31 December 2019	<u>227,749</u>	<u>189,891</u>	<u>51,148</u>	<u>28,215</u>	<u>17,483</u>	<u>514,487</u>
In KHR'000 equivalent	<u>928,077</u>	<u>773,806</u>	<u>208,428</u>	<u>114,976</u>	<u>71,243</u>	<u>2,096,530</u>



## INTANGIBLE ASSETS

	Computer software and license US\$
Cost	
As at 1 January 2019	15,049
Additions	11,272
Written off	(13,091)
As at 31 December 2019	<u>13,230</u>
Less: Accumulated amortisation	
As at 1 January 2019	11,803
Amortisation charge	3,310
Written off	(12,163)
As at 31 December 2019	<u>2,950</u>
Net book value	
As at 31 December 2018	<u>3,246</u>
In KHR'000 equivalent	<u>13,042</u>
As at 31 December 2019	<u>10,280</u>
In KHR'000 equivalent	<u>41,891</u>

## INCOME TAX

### Deferred tax assets, net

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Deferred tax assets	66,288	270,124	45,056	181,035
Deferred tax liabilities	(25,128)	(102,397)	(3,361)	(13,504)
Deferred tax assets (net)	<u>41,160</u>	<u>167,727</u>	<u>41,695</u>	<u>167,531</u>

### Movement of net deferred tax assets

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	41,695	167,531	2,235	9,023
Charged to income statement	(535)	(2,168)	39,460	159,616
Currency translation differences	-	2,364	-	(1,108)
As at 31 December	<u>41,160</u>	<u>167,727</u>	<u>41,695</u>	<u>167,531</u>

## 12. 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 2019	32,917	2,365	4,265	5,509	-	45,056
Charged to income statement	<u>20,213</u>	<u>3,040</u>	<u>(350)</u>	<u>(5,509)</u>	<u>3,838</u>	<u>21,232</u>
As at 31 December 2019	<u>53,130</u>	<u>5,405</u>	<u>3,915</u>	<u>-</u>	<u>3,838</u>	<u>66,288</u>
In KHR'000 equivalent	<u>216,505</u>	<u>22,025</u>	<u>15,954</u>	<u>-</u>	<u>15,640</u>	<u>270,124</u>

#### 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 2019	1,913	1,448	-	-	3,361
Credited to income statement	<u>(752)</u>	<u>1,377</u>	<u>20,543</u>	<u>599</u>	<u>21,767</u>
As at 31 December 2019	<u>1,161</u>	<u>2,825</u>	<u>20,543</u>	<u>599</u>	<u>25,128</u>
In KHR'000 equivalent	<u>4,731</u>	<u>11,512</u>	<u>83,713</u>	<u>2,441</u>	<u>102,397</u>

#### 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:

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
At the beginning of the year	232,927	935,901	62,407	251,937
Current income tax expense	252,958	1,024,986	267,412	1,081,682
Income tax paid	(268,594)	(1,088,343)	(96,892)	(391,928)
Unrealised exchange rate gain	167	677	-	-
Currency translation differences	-	12,920	-	(5,790)
At the end of the year	<u>217,458</u>	<u>886,141</u>	<u>232,927</u>	<u>935,901</u>

## 12. INCOME TAX (continued)

### Income tax expense

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Current tax	252,958	1,024,986	267,412	1,081,682
Deferred tax	535	2,168	(39,460)	(159,616)
Income tax expense	<u>253,493</u>	<u>1,027,154</u>	<u>227,952</u>	<u>922,066</u>

### Reconciliation of income tax expenses and accounting profit:

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	855,560	3,466,729	796,459	3,221,676
Tax calculated at a rate of 20%	171,112	693,346	159,292	644,336
Tax effects of reconciling items:				
Expenses not deductible for tax purpose	70,400	285,261	68,660	277,730
Prior year's adjustment	11,981	48,547	-	-
Income tax expense	<u>253,493</u>	<u>1,027,154</u>	<u>227,952</u>	<u>922,066</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.

## 13. OTHER LIABILITIES

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Accounts payable	248,310	1,011,863	230	924
Accrued salary and staff benefits	248,192	1,011,382	16,009	64,324
Accrued expenses	76,992	313,742	54,112	217,422
Tax payables	24,317	99,092	24,379	97,955
Others	-	-	39,183	157,437
	<u>597,811</u>	<u>2,436,079</u>	<u>133,913</u>	<u>538,062</u>

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

## BORROWINGS

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Current	2,335,121	9,515,617	4,171,693	16,761,860
Non-current	8,352,023	34,034,495	6,632,717	26,650,255
	<u>10,687,144</u>	<u>43,550,112</u>	<u>10,804,409</u>	<u>43,412,115</u>

This represents borrowings from banks and individuals including related parties (note 2b) with a term from one to seven years and interest rate ranging from 3% to 9% per annum (2018: 3% to 10% per annum). The borrowings are unsecured except the borrowings from a commercial bank with the carrying amount of US\$694,442, which are secured by a plot of land and building owned by a shareholder's close family member.

## SENIORITY PAYMENT OBLIGATIONS

The past seniority liability was accrued in accordance with the amended Labour Law, dated 26 June 2018, and the Prakas dated 21 September 2018 and the instruction No. 042 MoLVT dated 22 March 2019 from the Ministry of Labour and Vocational Training. As of 31 December 2019, the Company remeasured its liabilities, which results in decrease of liabilities of US\$1,752. The effect of the decrease as remeasurement gain is recognised in the personnel expense.

The liability is not expected to be settled until December 2021.

## SHARE CAPITAL

The total authorised number of shares of the Company as at 31 December 2019 was 150,000 shares with a par value of US\$100 per share (2018: 100,000 shares with a par value of US\$100 per share). All authorised shares have been issued and fully paid-up.

Shareholders	2019			2018		
	Number of Shares	US\$	% of ownership	Number of Shares	US\$	% of ownership
Mr. Taing Ngoun	87,000	8,700,000	58.00%	77,000	7,700,000	77.00%
Mr. Taing Hong	56,500	5,650,000	37.67%	16,500	1,650,000	16.50%
Mr. Cheang Syvannlieng	5,500	550,000	3.67%	5,500	550,000	5.50%
Mr. Phoun Thitieng	500	50,000	0.33%	500	50,000	0.50%
Mr. Hun Sy Chav	-	-	-	500	50,000	0.50%
Mr. Bun Zhicheav	500	50,000	0.33%	-	-	-
	<u>150,000</u>	<u>15,000,000</u>	<u>100%</u>	<u>100,000</u>	<u>10,000,000</u>	<u>100%</u>
In KHR'000 equivalent		<u>60,670,000</u>			<u>40,410,000</u>	

## 16. SHARE CAPITAL (continued)

During the year, Mr. Hun Sy Chav transferred all of his share (500 shares) and ownership to Mr. Bun Zhicheav. The amended Articles of Association for changes in shareholders were approved by the Central Bank and the Ministry of Commerce on 06 June 2019 and 19 June 2019 respectively.

The Company also converted the borrowings from shareholders of US\$5,000,000 to share capital, so its share capital increased from US\$10,000,000 to \$15,000,000. The amended Articles of Association for changes in registered share capital to US\$15,000,000 represented by 150,000 shares were approved by the Central Bank and the Ministry of Commerce on 28 August 2019 and 18 September 2019 respectively.

### CAPITAL CONTRIBUTION

Capital contribution is the difference between the present value of the future payments discounted at borrowing interest rate from third parties and the amount received from the borrowing from shareholders.

### RESERVES

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Regulatory reserves for impairment losses on facilities	278,606	822,623	222,205	898,555
Currency translation difference	-	906,686	-	(304,469)
	<u>278,606</u>	<u>1,729,309</u>	<u>222,205</u>	<u>594,086</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.

### INTEREST INCOME

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Loans and advances at amortised cost	4,443,833	18,006,411	3,457,905	13,987,226
Balances with the Central Bank and other banks	7,069	28,644	3,619	14,639
	<u>4,450,902</u>	<u>18,035,055</u>	<u>3,461,524</u>	<u>14,001,865</u>

## INTEREST EXPENSES

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Borrowings at amortised cost	967,797	3,921,513	721,878	2,919,997

## ALLOWANCE FOR IMPAIRMENT LOSSES ON FACILITIES

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Allowance for impairment losses on loans and advances	39,680	160,783	55,618	224,975
Recovery on loans and advances previously written off	(17,326)	(70,205)	(1,989)	(8,046)
	22,354	90,578	53,629	216,929

## PERSONNEL EXPENSES

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages expenses	1,722,527	6,979,679	1,131,360	4,576,351
Seniority payment expense	60,257	244,161	21,328	86,272
Other employee benefits	80,747	327,188	91,975	372,039
	1,863,531	7,551,028	1,244,663	5,034,662

## GENERAL AND ADMINISTRATIVE EXPENSES

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Rental expenses	133,416	540,602	93,443	377,977
Travelling and transportation expenses	80,547	326,376	58,439	236,386
Professional fees	113,486	459,845	36,202	146,437
Office expenses	39,887	161,622	66,122	267,463
Security expenses	34,244	138,757	13,419	54,280
Utilities expenses	37,888	153,522	31,797	128,619
Repairs and maintenance expenses	55,069	223,140	41,100	166,250
Communication expenses	55,867	226,373	42,544	172,090
Marketing and advertising expenses	9,526	38,599	7,593	30,714
License and patent fees	20,443	82,835	22,348	90,398
Board of director's remuneration	19,800	80,230	18,800	76,046
Others	42,862	173,677	77,236	312,419
	643,035	2,605,578	509,043	2,059,079



## CASH AND CASH EQUIVALENTS

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	183,175	746,438	108,674	436,652
Balances with the Central Bank:				
Current account	7,886	32,135	2,796	11,234
Balances with other financial institutions:				
Current accounts	200,832	818,390	250,416	1,006,171
Savings accounts	452,868	1,845,438	23,003	92,426
Term deposits	392,638	1,600,000	-	-
	<u>1,237,399</u>	<u>5,042,401</u>	<u>384,889</u>	<u>1,546,483</u>

## 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. Hun Sy Chav 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:

## Transactions with related parties

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
<b>Shareholders</b>				
Borrowings received	3,627,400	14,698,225	3,770,000	15,249,650
Repayments of borrowing	(4,927,400)	(19,965,825)	(1,281,246)	(5,182,640)
Interest expenses	537,174	2,176,629	331,246	1,339,890
Office rental	52,260	211,758	48,400	195,778
<b>Shareholders' close family member</b>				
Borrowings received	1,070,000	4,335,640	760,000	3,074,200
Repayments of borrowing	(720,000)	(2,917,440)	(346,520)	(1,401,673)
Interest expenses	29,689	120,300	2,420	9,789
Office rental	12,000	48,624	12,000	48,540

## 25. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### Transactions with related parties (continued)

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
<b>Key management personnel</b>				
Borrowings received	-	-	350,000	1,415,750
Repayments of borrowing	(215,000)	(871,180)	(173,875)	(703,324)
Borrowing converted to share capital	5,000,000	20,260,000	-	-
Interest expenses	4,075	16,512	8,875	35,899
Interest income from loans and advances	1,315	5,328	5,452	22,053
Salaries, wages and other short term benefits	252,282	1,022,247	252,877	1,022,887
Seniority payment expenses	8,571	34,730	15,385	62,232

### Balances with related parties

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
<b>Shareholders</b>				
Borrowings	7,897,400	32,181,905	9,197,400	36,955,153
<b>Shareholders' close family member</b>				
Borrowings	1,070,000	4,360,250	720,000	2,892,960
<b>Key management personnel</b>				
Loans and advances	20,510	83,578	89,296	358,791
Borrowings	-	-	215,000	863,870
Other long term benefits payable (Seniority payments)	15,862	64,638	15,385	61,817

Borrowings from shareholders bear interest rates ranging from 3% to 9% (2018: 3% to 6%) 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% (2018: 9% to 10%) per annum. Interest expense was paid monthly in arrears. The borrowings are unsecured.

Borrowings from key management bear interest rates ranging from 6% to 9% (2018: 6% to 10%) per annum. Interest expense was paid monthly in arrears. The borrowings are unsecured.

## 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:

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Not later than one year	75,032	305,755	72,675	292,008
Later than one year and not later than five years	146,672	597,688	192,320	772,742
Later than five years	15,000	61,125	15,000	60,270
	<u>236,704</u>	<u>964,568</u>	<u>279,995</u>	<u>1,125,020</u>

## EVENTS AFTER THE END OF THE REPORTING PERIOD

The novel coronavirus (COVID-19) declared as pandemic has spread into Cambodia since late January 2020. Since then, the country is facing sustained risk of further national spread causing disruption to business and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, management does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The impact of this pandemic on the macroeconomic forecasts will be incorporated into the Company's assessment of its business operation including impact on income and assessment of provisions for impairment of financial assets in 2020.

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# ANNUAL REPORT 2019



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