

**BORVOR FINANCE PLC.**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019  
AND  
REPORT OF THE INDEPENDENT AUDITORS**

## Corporate Information

Company: Borvor Finance Plc.

Registration No: 00029713

Registered office: #99, Group 4, Romchek 5 Village  
Ratanak Commune, Battambang City  
Battambang Province, Kingdom of Cambodia

Shareholders: Mr. Meas Thon  
Ms. Nget Ny  
Ms. Chea Chanda  
Mr. Vern Phally  
Association of employee share (represented by Mr. Ly Chan Ty)  
Mr. Ly Chan Ty

Board of Directors:	Mr. Ly Chan Ty,	Chairman
	Mr. Sao Roeun,	Vice Chairman
	Mr. Prom Mary	Member
	Mr. Suos Sovann	Member
	Mr. Pheng Raksa	Member

Principal Bankers: National Bank of Cambodia  
ACLEDA Bank Plc.  
Advance Bank of Asia Limited (“ABA”)

Auditors: HRDP & ASSOCIATES CO., LTD.

## **BORVOR FINANCE PLC.**

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## Report of the Directors

The Directors hereby submit their report together with the audited financial statements of Borvor Finance Plc. ("the Company") for the year ended 31 December 2019.

### Principal activities

The principal activity of the Company is to operate as a rural credit operator in the Kingdom of Cambodia. There have been no significant changes in the nature of this activity from the previous financial year.

### Financial results

The financial results of the Company were as follows:

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Profit/(loss) before income tax	2,112,286	521,295	(80,895)	(19,999)
Income tax expense/(credit)	(459,011)	(113,280)	183,066	45,257
Net profit for the year	<u>1,653,275</u>	<u>408,015</u>	<u>102,171</u>	<u>25,258</u>

### Dividends

No dividend was declared or paid and the Directors do not recommend any dividend to be paid during the financial year.

### Share capital

The paid-up capital of the Company as at 31 December 2019 is KHR9,741,600 thousand (2018: KHR9,741,600 thousand) with a par value KHR200,000 per share. Refer to Note 17 for the detailed Company's share capital and shareholding structure.

### Reserves and provisions

There were no material transfers to or from reserves and provision during the financial year other than amount as disclosed in the financial statements.

### Bad and doubtful debts

Before the financial statements of the Company were prepared, Directors took reasonable steps to ascertain that action has been taken in relation to the write off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that there were no known bad debts and that allowance need not be made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render it necessary to write off bad debts or to make allowance for doubtful debts in the financial statements of the Company, inadequate to any material extent.

## **BORVOR FINANCE PLC.**

### **Report of the Directors (continued)**

#### **Current assets**

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business at their value 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 have arisen the value attributed to the current assets in the financial statements of the Company misleading.

#### **Valuation methods**

At the date of this report, the Directors are not aware of any circumstances that have arisen which would render adherence to the existing methods of valuation of assets and liabilities in the financial statements of the Company misleading or inappropriate.

#### **Contingent liabilities**

At the date of this report, there does not exist:

- (i) Any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) Any contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of its business operations.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable, within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the liability of the Company to meet its obligations when they fall due.

#### **Changes of circumstances**

At the date of this report, the Directors is not aware of any circumstances not otherwise dealt with in the report or in the financial statements of the Company, which would render any amount stated in the financial statements as misleading.

#### **Items of an unusual nature**

The results of the operations of the Company for the financial year were not, in the opinion of the Directors, materially affected by any items, transactions or event of material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of material and unusual nature likely, in the opinion of the Directors, to effect substantially the results of the operations of the Company for the current year in which this report is made.

## **BORVOR FINANCE PLC.**

### **Report of the Directors (continued)**

#### **Events since the reporting date**

At the date of this report, except as disclosed in the financial statements, there have been no significant events occurring after the reporting date which would require adjustments or disclosures to be made in the financial statements.

#### **The Board of Directors**

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

- |                     |               |
|---------------------|---------------|
| 1. Mr. Ly Chan Ty,  | Chairman      |
| 2. Mr. Sao Roeun,   | Vice Chairman |
| 3. Mr. Prom Mary,   | Member        |
| 4. Mr. Suos Sovann, | Member        |
| 5. Mr. Pheng Raksa  | Member        |

#### **Directors' interests**

The Directors' interests are disclosed in Note 17.

#### **Directors' benefits**

During and at the end of the financial year, no arrangement subsisted to which the Company is a party with the object of enabling Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Directors of the Company have received or become entitled to receive benefit (other than benefit included in the aggregate amount of emoluments received or due and receivable by Directors) by reason of a contract made by the Company with the Directors or firm of which the Director is member, or a Company in which the Directors has a substantial financial interest, other than as disclosed in the financial statements.

#### **Statements of Directors' responsibility in respect of financial statements**

The Board of Directors is responsible to ascertain that the financial statements 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 preparing those financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities ("CIFRS for SMEs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

## BORVOR FINANCE PLC.

### Report of the Directors (continued)

#### Statements of Directors' responsibility in respect of financial statements (continued)

- (iii) oversee the Company's financial reporting process and maintain adequate accounting records and effective system of internal control;
- (iv) assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so; and
- (v) effectively control and direct the Company in all material decisions affecting the operations and performance and ascertain that such has been properly reflected in the financial statements.

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

#### Approval of the financial statements

The Board of Directors hereby approve the accompanying financial statements as set out on pages 8 to 48 which present fairly, in all material respects, the financial position of Borvor Finance Plc. as at 31 December 2019, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities ("CIFRS for SMEs").

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



Mr. Meas Thon  
Chief Executive Officer  
28 September 2020

## **Report of the Independent Auditors**

**To the shareholders**

**BORVOR FINANCE PLC.**

### **Opinion**

We have audited the financial statements of Borvor Finance Plc. (“the Company”), which comprise the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 8 to 48.

In our opinion, the accompanying financial statements 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 the Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRS for SMEs”).

### **Basis for opinion**

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Other Information**

Management is responsible for the other information. The other information obtained at the date of this auditors’ report is the information included in the Report of the Directors as set out on pages 1 to 4, and the annual report, which is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors’ 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.



## **Report of the Independent Auditors (continued)**

### **To the shareholders**

#### **BORVOR FINANCE PLC.**

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

#### **Auditors' Responsibility 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 audit in accordance with CISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

## Report of the Independent Auditors (continued)

To the shareholders

**BORVOR FINANCE PLC.**

### Auditors' Responsibility for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit 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 date of our auditor's report. However, future events or condition may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosure, 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 HRDP and Associates Co., Ltd.



Peou Dara  
*Audit Partner*

Phnom Penh, Kingdom of Cambodia

28 September 2020

## BORVOR FINANCE PLC.

### Statement of financial position As at 31 December 2019

	Note	2019		2018	
		KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
<b>ASSETS</b>					
Cash on hand	6	201,829	49,529	142,323	35,421
Deposits and placements with National Bank of Cambodia	7	487,200	119,558	487,080	121,224
Deposits and placements with other banks	8	1,950,984	478,769	340,167	84,661
Loans to customers - net	9	32,862,987	8,064,537	30,845,780	7,676,899
Other assets	10	195,836	48,058	56,660	14,101
Property and equipment	11	1,215,034	298,168	1,234,124	307,149
Deferred tax assets - net	15(a)	61,435	15,076	289,523	72,056
<b>Total assets</b>		<b>36,975,305</b>	<b>9,073,695</b>	<b>33,395,657</b>	<b>8,311,511</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Deposits from customers	12	2,429,841	596,280	4,786,152	1,191,179
Other payables	13	1,613,512	395,954	1,773,839	441,473
Borrowings	14	11,586,205	2,843,240	7,106,316	1,768,620
Current income tax liabilities	15(b)	63,993	15,704	100,871	25,105
<b>Total liabilities</b>		<b>15,693,551</b>	<b>3,851,178</b>	<b>13,767,178</b>	<b>3,426,377</b>
<b>Equity</b>					
Project SEAD capital	16	949,821	237,455	949,821	237,455
Share capital	17	9,741,600	2,435,400	9,741,600	2,435,400
Regulatory reserves	18	386,227	94,780	418,890	104,253
Retained earnings		10,204,106	2,504,075	8,518,168	2,120,002
Currency translation differences		-	(49,193)	-	(11,976)
<b>Total equity</b>		<b>21,281,754</b>	<b>5,222,517</b>	<b>19,628,479</b>	<b>4,885,134</b>
<b>Total liabilities and equity</b>		<b>36,975,305</b>	<b>9,073,695</b>	<b>33,395,657</b>	<b>8,311,511</b>

The accompanying notes form an integral part of this financial statements.

## BORVOR FINANCE PLC.

### Statement of comprehensive income For the year ended 31 December 2019

	Note	2019		2018	
		KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Interest income	19	5,622,197	1,387,512	5,188,667	1,282,736
Interest expense	20	(570,673)	(140,837)	(665,015)	(164,404)
<b>Net interest income</b>		<b>5,051,524</b>	<b>1,246,675</b>	<b>4,523,652</b>	<b>1,118,332</b>
Fee and commission income		194,445	47,987	-	-
Other operating income	21	1,088,530	268,640	197,797	48,899
<b>Total operating income</b>		<b>6,334,499</b>	<b>1,563,302</b>	<b>4,721,449</b>	<b>1,167,231</b>
General and administrative expenses (Additional)/Reversal of impairment	22	(4,117,392)	(1,016,138)	(5,105,680)	(1,262,220)
loss on financial assets	9	(45,207)	(11,157)	381,878	94,407
Depreciation		(59,614)	(14,712)	(78,542)	(19,417)
<b>Profit/(Loss) before income tax</b>		<b>2,112,286</b>	<b>521,295</b>	<b>(80,895)</b>	<b>(19,999)</b>
Income tax expense/(credit)	15(c)	(459,011)	(113,280)	183,066	45,257
<b>Net profit for the year</b>		<b>1,653,275</b>	<b>408,015</b>	<b>102,171</b>	<b>25,258</b>
<b>Other comprehensive income</b>					
Currency translation difference		-	(70,632)	-	23,040
<b>Total comprehensive income for the year</b>		<b>1,653,275</b>	<b>337,383</b>	<b>102,171</b>	<b>48,298</b>

The accompanying notes form an integral part of this financial statements

## BORVOR FINANCE PLC.

### Statement of changes in equity For the year ended 31 December 2019

	Project SEAD capital		Share capital		Regulatory reserves		Retained earnings		Currency translation differences		Total	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
At 1 January 2018	949,821	237,455	9,741,600	2,435,400	651,384	161,353	8,183,503	2,027,125	-	(24,497)	19,526,308	4,836,836
<b>Comprehensive income for the year</b>												
Transfers	-	-	-	-	(232,494)	(57,100)	232,494	57,100	-	-	-	-
Net profit for the year	-	-	-	-	-	-	102,171	25,258	-	-	102,171	25,258
<b>Other comprehensive income</b>												
Currency translation differences	-	-	-	-	-	-	-	10,519	-	12,521	-	23,040
<b>Total comprehensive income for the year</b>	-	-	-	-	(232,494)	(57,100)	334,665	92,877	-	12,521	102,171	48,298
<b>At 31 December 2018</b>	<b>949,821</b>	<b>237,455</b>	<b>9,741,600</b>	<b>2,435,400</b>	<b>418,890</b>	<b>104,253</b>	<b>8,518,168</b>	<b>2,120,002</b>	<b>-</b>	<b>(11,976)</b>	<b>19,628,479</b>	<b>4,885,134</b>

## BORVOR FINANCE PLC.

### Statement of changes in equity (continued) For the year ended 31 December 2019

	Project SEAD capital		Share capital		Regulatory reserves		Retained earnings		Currency translation differences		Total	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
At 1 January 2019	949,821	237,455	9,741,600	2,435,400	418,890	104,253	8,518,168	2,120,002	-	(11,976)	19,628,479	4,885,134
<b>Comprehensive income for the year</b>												
Transfer	-	-	-	-	(32,663)	(9,473)	32,663	9,473	-	-	-	-
Net profit for the year	-	-	-	-	-	-	1,653,275	408,015	-	-	1,653,275	408,015
<b>Other comprehensive income</b>												
Currency translation difference	-	-	-	-	-	-	-	(33,415)	-	(37,217)	-	(70,632)
<b>Total comprehensive income for the year</b>												
	-	-	-	-	(32,663)	(9,473)	1,685,938	384,073	-	(37,217)	1,653,275	337,383
<b>At 31 December 2019</b>	<b>949,821</b>	<b>237,455</b>	<b>9,741,600</b>	<b>2,435,400</b>	<b>386,227</b>	<b>94,780</b>	<b>10,204,106</b>	<b>2,504,075</b>	<b>-</b>	<b>(49,193)</b>	<b>21,281,754</b>	<b>5,222,517</b>

The accompanying notes form an integral part of this financial statements.

## BORVOR FINANCE PLC.

### Statement of cash flows For the year ended 31 December 2019

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
<b>Cash flows from operating activities</b>				
Net profit for the year	1,653,275	408,015	102,171	25,258
<i>Adjustments for:</i>				
Income tax expense/(credit)	459,011	113,280	(183,066)	(45,257)
Additional/(Reversal of) impairment loss on financial assets	45,207	11,157	(381,878)	(94,407)
Depreciation	59,614	14,712	78,542	19,417
Unrealised exchange loss/(gain)	948,100	233,983	-	-
Property and equipment written-off	-	-	182,155	45,032
Gain on disposals of property and equipment	(12,373)	(3,054)	-	-
	<u>3,152,834</u>	<u>778,093</u>	<u>(202,076)</u>	<u>(49,957)</u>
Changes in:				
Loans to customers	(3,010,515)	(742,970)	4,014,957	992,573
Other assets	(139,176)	(34,347)	(30,610)	(7,567)
Deposits from customers	(2,356,311)	(581,518)	(4,253,070)	(1,051,439)
Other payables	(160,327)	(39,567)	493,394	121,976
	<u>(2,513,495)</u>	<u>(620,309)</u>	<u>22,595</u>	<u>5,586</u>
Income tax paid	(267,800)	(66,091)	(275,382)	(68,080)
<b>Net cash used in operating activities</b>	<u>(2,781,295)</u>	<u>(686,400)</u>	<u>(252,787)</u>	<u>(62,494)</u>
<b>Cash flows from investing activities</b>				
Capital guarantee with the NBC	-	-	(487,080)	(120,415)
Purchase of property and equipment	(40,606)	(10,021)	(10,210)	(2,524)
Proceeds from disposals of property and equipment	12,455	3,074	-	-
<b>Net cash used in investing activities</b>	<u>(28,151)</u>	<u>(6,947)</u>	<u>(497,290)</u>	<u>(122,939)</u>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	7,200,205	1,776,951	-	-
Repayments of borrowings	(2,720,316)	(671,351)	(138,003)	(34,117)
<b>Net cash generated from/(used in) financing activities</b>	<u>4,479,889</u>	<u>1,105,600</u>	<u>(138,003)</u>	<u>(34,117)</u>
<b>Net increase /(decrease) in cash and cash equivalents</b>	<u>1,670,443</u>	<u>412,253</u>	<u>(888,080)</u>	<u>(219,550)</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>482,490</u>	<u>120,082</u>	<u>1,370,570</u>	<u>339,502</u>
Currency translation difference	-	(4,008)	-	130
<b>Cash and cash equivalents at the end of the year (Note 23)</b>	<u>2,152,933</u>	<u>528,327</u>	<u>482,490</u>	<u>120,082</u>

The accompanying notes form an integral part of this financial statements.

# **BORVOR FINANCE PLC.**

## **Notes to the financial statements For the year ended 31 December 2019**

### **1. Reporting entity**

Borvor Finance Plc. (“the Company”) was incorporated as public limited company in the Kingdom of Cambodia under registration number 00029713 dated 25 December 2017 with the Ministry of Commerce. On 22 November 2017, the Company obtained license from the National Bank of Cambodia (“the Central Bank” or “the NBC”) to operate as a rural credit operator.

The Company was formerly known as Small Economic Activity Development (“SEAD” or “the Project”), a project operated under the umbrella of CARE International in Cambodia. The Project’s saving programme is a component of CARE Cambodia community saving programme in Battambang province.

The Project was designed in 1998 with the aim to promote the economic security of low-income households through mobilisation of savings of the members. The Project is implemented through community-based micro-finance Company’s by establishment of saving banks at the community level.

On 5 September 2002, SEAD was registered as a non-political association under the name of Cambodian Savings and Credit Federation (“CSCF”). Subsequently, on 1 October 2002, the CSCF requested to the Ministry of Interior to change its name to Cambodian Community Savings Federation.

The Company is principally engaged in providing financial support to low income family and other related financial services within the scope of rural credit operator license in Cambodia.

The Company operates through 3 branches located in Battambang, Banteay Meanchey and Bavel. The registered office of the Company is located at No. 99, Group 4, Phum Romchek 5, Sangkat Ratanak, Krong Battambang, Battambang Province, Kingdom of Cambodia.

As at 31 December 2019, the Company had 126 employees (2018: 139 employees).

### **2. Basis of preparation**

#### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRS for SMEs”).

This complete set of financial statements (for the year ended 31 December 2019) is the Company’s first financial statements that conform to CIFRS for SMEs. Before 2019, the financial statements were prepared in accordance with Cambodian Accounting Standards (“CAS”) and the guidelines of the National Bank of Cambodia (“NBC”).

The Company has applied consistently to all periods presented in these financial statements and in preparing the opening CIFRS for SMEs statement of financial position at 1 January 2018 for the purpose of the transition to CIFRS for SMEs.

The financial effects of the transition to CIFRS for SMEs are set out in Note 4 below.

These financial statements were approved by the Board of Directors and authorised for issue on 28 September 2020.



## **BORVOR FINANCE PLC.**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **2. Basis of preparation (continued)**

##### **2.2 Fiscal year and reporting period**

The Company's fiscal year starts on 1 January and ends on 31 December.

##### **2.3 Basis of measurement**

The financial statements have been prepared on the historical cost basis.

##### **2.4 Functional and presentation currency**

The national currency of Cambodia is the Khmer Riel ("KHR"). The Company transacts its business and maintains its accounting records in three currencies, United States Dollars ("US\$"), Khmer Riel ("KHR") and Thai Baht ("THB"). Management has determined the US\$ to be the Company's functional currency as it reflects the economic substance of the underlying events and circumstances of the Company.

The Company's presentation currency is KHR which is the national currency of Cambodia. All amounts have been rounded to the nearest thousand ("KHR'000"), unless otherwise indicated.

The translations of KHR into US\$ amounts are included solely for presentation purpose.

Assets and liabilities are translated at the closing rate as at the reporting date, and the share capital is translated at the historical rate. The statements of comprehensive income and cash flows are translated into US\$ using the average rate for the year. Exchange differences arising from the translation are recognised as "Currency Translation Difference" in the other comprehensive income. The accumulative currency translation differences are recognised as a separate component of equity. All values in KHR are rounded to the nearest thousand ("KHR'000"), except if otherwise indicated.

The Company uses the following exchange rates:

<b>Reporting date</b>	<b>Closing rate</b>	<b>Average rate</b>
31 December 2019	US\$1=KHR4,075	US\$1=KHR4,052
31 December 2018	US\$1=KHR4,018	US\$1=KHR4,045
31 December 2017	US\$1=KHR4,037	Not used

These convenience translations should not be construed as representations that the US\$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

## **BORVOR FINANCE PLC.**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **2. Basis of preparation (continued)**

##### **2.5 Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the financial statements is set out below in relation to the impairment of financial instruments in 3.17 (vii) – identification and measurement of impairment and Note 5.

#### **3. 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.

##### **3.1 Basis of aggregation**

The Company's financial statements comprise the financial statements of the head office and its branches. All inter-branch balances and transactions have been eliminated.

##### **3.2 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits with banks and other highly liquid investments with original maturities of three months or less and that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

##### **3.3 Deposits and placements with banks**

Deposits and placements with banks are carried at amortised cost in the statement of financial position.

##### **3.4 Deposits and placements with NBC**

Deposits and placements with the NBC, including capital guarantee deposit. Capital guarantee deposit is maintained in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by defined percentages of minimum share capital as required by the NBC.

Capital guarantee is not available to finance the Company's day-to-day operations hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

Balance with National Bank of Cambodia are carried at amortised cost using the effective interest method in the statement of financial position.

## **BORVOR FINANCE PLC.**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **3. Significant accounting policies (continued)**

##### **3.5 Loan to customers**

Loans to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

##### **3.6 Other assets**

Other assets are carried at amortised cost using the effective interest method in the statement of financial position.

##### **3.7 Property and equipment**

###### *(i). Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within other income in profit or loss.

###### *(ii). Subsequent costs*

The costs of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

###### *(iii). Depreciation*

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

Buildings	5 years
Office equipment	2 years
Motor vehicles	2 – 5 years
IT and computer equipment	2 years

Land is not depreciated.

## **BORVOR FINANCE PLC.**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **3. Significant accounting policies (continued)**

##### **3.7 Property and equipment**

###### *(iii). Depreciation (continued)*

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

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

##### **3.8 Impairment**

###### **Non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

##### **3.9 Borrowings, deposits from customers and other liabilities**

Borrowings, deposits from customers and other liabilities are carried at amortised cost using the effective interest method in the statement of financial position.

##### **3.10 Provisions**

Provisions are recognised in the statement of financial provision 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. Provisions are measured at the present value of the expenditure 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 liability. The increase in the provision due to the passage of time is recognised as finance cost.

## **BORVOR FINANCE PLC.**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **3. Significant accounting policies (continued)**

##### **3.11 Employee benefits**

###### *Severance payment*

The Company has a severance payment for all employees. Severance payment was recognised during the employees' periods of service on accrual basis. This payment will be fully paid to the employees upon their retirement or resignation under satisfactory conditions.

##### **3.12 Dividends**

Dividends declared and approved by the Company's shareholders before the end of reporting date are recognised as a liability and accounted for as a deduction from the retained earnings in the financial statements.

Dividends declared and approved by the Company's shareholders after the reporting date are not recognised as a liability but disclosed as the subsequent events note in the financial statements.

##### **3.13 Interest**

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

##### **3.14 Fee and commission**

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

## **BORVOR FINANCE PLC.**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **3. Significant accounting policies (continued)**

##### **3.15 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Rights to assets held under finance leases are recognised as assets of the Company at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

##### **3.16 Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences).

Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss, except that an adjustment attributable to an item of income or expense recognised in other comprehensive income shall also be recognised in other comprehensive income.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

## **BORVOR FINANCE PLC.**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **3. Significant accounting policies (continued)**

##### **3.17 Financial assets and financial liabilities**

*(i). Recognition*

The Company initially recognises a financial asset or a financial liability when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

*(ii). Classification*

The Company classifies its financial assets and liabilities as basic financial instruments in accordance with Section 11 Basic Financial Instruments.

*(iii). Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or settled, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

*(iv). Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

*(v). Amortised cost measurement*

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

## **BORVOR FINANCE PLC.**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **3. Significant accounting policies (continued)**

##### **3.17 Financial assets and financial liabilities (continued)**

###### *(vi). Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

###### *(vii). Identification and measurement of impairment*

###### **Objective evidence of impairment**

At each reporting date, the Company assesses whether there is objective evidence that financial assets that are measured at cost or amortised cost. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets and that the loss event has an impact on the future cash flows of the assets that can be estimated reliably.



## **BORVOR FINANCE PLC.**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **3. Significant accounting policies (continued)**

##### **3.17 Financial assets and financial liabilities (continued)**

*(vii). Identification and measurement of impairment (continued)*

###### **Objective evidence of impairment (continued)**

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

###### **Individual and collective assessment**

All individually significant assets are individually assessed for impairment.

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment, and found to be individually impaired, and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the management.

A collective component of the total allowance is established for:

- groups of homogeneous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.

The collective allowance for groups of homogeneous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience.

## **BORVOR FINANCE PLC.**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **3. Significant accounting policies (continued)**

##### **3.17 Financial assets and financial liabilities (continued)**

###### **Individual and collective assessment (continued)**

In assessing the collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

###### **Measurement**

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

###### **Reversal of impairment and write off**

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the entity shall reverse the previously recognised impairment loss either directly or by adjusting an allowance account.

The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognised. The entity shall recognise the amount of the reversal in profit or loss immediately.

The Company writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the management determines that there is no realistic prospect of recovery.

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 3. Significant accounting policies (continued)

##### 3.18 Regulatory reserve

The NBC issued Prakas No. B7-017-344 dated 1 December 2017 on Credit Risk Grading and Provision on Impairment and Circular No. B7-018-001 dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Provision on Impairment, which require all banks and financial institutions (“Institution”) to measure the impairment and provide sufficient allowance for bad and doubtful loans based on the new credit risk grading and provision as follows:

Classification	Number of days past due	Allowance
<b>Short-term loans (less than one year):</b>		
Standard	0 – 14 days	1%
Special mention	15– 29 days	3%
Sub-standard	30 – 59 days	20%
Doubtful	60 – 89 days	50%
Loss	90 days or more	100%
<b>Long-term loans (more than one year):</b>		
Standard	0 – 29 days	1%
Special mention	30– 89 days	3%
Sub-standard	90 – 179 days	20%
Doubtful	180 – 359 days	50%
Loss	360 days or more	100%

In accordance with Article 73, the entity shall compare the provision calculated in accordance with above requirements, and the Company’s record which is under CIFRS for SMEs:

- (i) If the regulatory provision is lower, the entity records the provision calculated in accordance with CIFRS for SMEs; and
- (ii) If the regulatory provision is higher, the entity records the provision calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings into regulatory reserves in equity account.

##### 3.19 Related parties

Enterprises and individual that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including the holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including Directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals, also constitute related parties.

## **BORVOR FINANCE PLC.**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **4. Transition to CIFRS for SMEs**

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 Standards (“CIFRS”) which are based on all standards published by the International Financial Reporting Standards Board (“IASB”), including the related interpretations and amendments. Public accountable entities are required to prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012.

Circular 058 MEF. NAC dated 24 March 2016 issued by the National Accounting Council of the Ministry of Economy and Finance allowed banks and financial institutions to further delay adoption of CIFRS until period beginning on or after 1 January 2019.

On 3 January 2019, NAC through circular No.004 on the implementation of “the notification on the implementation of accounting standards for financial institution” provides the options to non-public accountability entities to choose either adopting CIFRS or CIFRS for SMEs.

These financial statements for the year ended 31 December 2019 are the Company’s first complete set of financial statements that comply with CIFRS for SMEs. The Company’s date of transition to CIFRS for SMEs is 1 January 2018. Its last financial statements prepared in accordance with the Cambodia Accounting Standard (“CAS”) were for the year ended 31 December 2018.

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.

This explanatory note to the financial statements describes the differences between the profit or loss presented under CAS and the newly presented amounts under CIFRS for SMEs for the reporting period ended 31 December 2018 (i.e. comparative information), as well as the differences between the equity presented under CAS and the newly presented amounts under CIFRS for SMEs at the date of transition (1 January 2018) and at 31 December 2018. It also describes all the required changes in accounting policies made on first-time adoption of CIFRS for SMEs.

In the table below, equity determined in accordance with CIFRS for SMEs is reconciled to equity determined in accordance with CAS 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).

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 4. Transition to CIFRS for SMEs (continued)

##### (i) Reconciliation of the statement of financial position as at 1 January 2018

	Note	At 1 January 2018			CIFRS for SMEs US\$ (Note 2.4)
		CAS KHR'000	Effect of transition KHR'000	KHR'000	
<b>ASSETS</b>					
Cash on hand		238,397	-	238,397	59,053
Deposits and placements with other banks		1,132,173	-	1,132,173	280,449
Loans to customers-net	4.1	33,447,543	1,031,316	34,478,859	8,540,713
Other assets		26,050	-	26,050	6,453
Property and equipment		1,484,611	-	1,484,611	367,751
<b>Total assets</b>		<b>36,328,774</b>	<b>1,031,316</b>	<b>37,360,090</b>	<b>9,254,419</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Deposits from customers	4.2	8,968,864	70,358	9,039,222	2,239,094
Loan protection and life savings	4.3	3,825,136	(3,825,136)	-	-
Stability fund	4.4	3,139,064	(3,139,064)	-	-
Other payables	4.2	1,313,125	(32,680)	1,280,445	317,178
Borrowings	4.2	7,136,881	107,438	7,244,319	1,794,481
Current income tax liabilities		195,045	-	195,045	48,314
Deferred tax liabilities		74,751	-	74,751	18,516
<b>Total liabilities</b>		<b>24,652,866</b>	<b>(6,819,084)</b>	<b>17,833,782</b>	<b>4,417,583</b>
<b>Equity</b>					
Project SEAD capital		949,821	-	949,821	237,455
Share capital		9,741,600	-	9,741,600	2,435,400
Regulatory reserves	4.5	-	651,384	651,384	161,353
Retained earnings		984,487	7,199,016	8,183,503	2,027,125
Currency translation difference		-	-	-	(24,497)
<b>Total equity</b>		<b>11,675,908</b>	<b>7,850,400</b>	<b>19,526,308</b>	<b>4,836,836</b>
<b>Total liabilities and equity</b>		<b>36,328,774</b>	<b>1,031,316</b>	<b>37,360,090</b>	<b>9,254,419</b>

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 4. Transition to CIFRS for SMEs (continued)

##### (ii) Reconciliation of the statement of financial position as at 31 December 2018

	Note	At 31 December 2018			CIFRS for SMEs US\$ (Note 2.4)
		CAS KHR'000	Effect of transition KHR'000	KHR'000	
<b>ASSETS</b>					
Cash on hand		142,323	-	142,323	35,421
Deposits and placements with National Bank of Cambodia		487,080	-	487,080	121,224
Deposits and placements with other banks		336,765	3,402	340,167	84,661
Loans to customers-net	4.1	29,861,589	984,191	30,845,780	7,676,899
Other assets	4.1	625,363	(568,703)	56,660	14,101
Property and equipment		1,234,124	-	1,234,124	307,149
Deferred tax assets - net		-	289,523	289,523	72,056
<b>Total assets</b>		<b>32,687,244</b>	<b>708,413</b>	<b>33,395,657</b>	<b>8,311,511</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Deposits from customers	4.2	4,757,436	28,716	4,786,152	1,191,179
Loan protection and life savings	4.3	3,933,643	(3,933,643)	-	-
Stability fund	4.4	2,461,265	(2,461,265)	-	-
Other payables	4.2	1,817,586	(43,747)	1,773,839	441,473
Borrowings	4.2	7,058,100	48,216	7,106,316	1,768,620
Current income tax liabilities		231,742	(130,871)	100,871	25,105
Deferred tax liabilities		74,751	(74,751)	-	-
<b>Total liabilities</b>		<b>20,334,523</b>	<b>(6,567,345)</b>	<b>13,767,178</b>	<b>3,426,377</b>
<b>Equity</b>					
Project SEAD capital		949,821	-	949,821	237,455
Share capital		9,741,600	-	9,741,600	2,435,400
Regulatory reserves	4.5	-	418,890	418,890	104,253
Retained earnings		1,661,300	6,856,868	8,518,168	2,120,002
Currency translation difference		-	-	-	(11,976)
<b>Total equity</b>		<b>12,352,721</b>	<b>7,275,758</b>	<b>19,628,479</b>	<b>4,885,134</b>
<b>Total liabilities and equity</b>		<b>32,687,244</b>	<b>708,413</b>	<b>33,395,657</b>	<b>8,311,511</b>

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 4. Transition to CIFRS for SMEs (continued)

##### (iii) Reconciliation of statement of comprehensive income for the year ended 31 December 2018:

	Note	Year ended 31 December 2018			
		CAS KHR'000	Effect of transition KHR'000	CIFRS for SMEs KHR'000	US\$ (Note 2.4)
Interest income	4.1	5,649,887	(461,220)	5,188,667	1,282,736
Interest expense		(706,657)	41,642	(665,015)	(164,404)
<b>Net interest income</b>		<u>4,943,230</u>	<u>(419,578)</u>	<u>4,523,652</u>	<u>1,118,332</u>
Fee and commission income		328,968	(328,968)	-	-
Other operating income		197,797	-	197,797	48,899
<b>Total operating income</b>		<u>5,469,995</u>	<u>(748,546)</u>	<u>4,721,449</u>	<u>1,167,231</u>
General and administrative expenses		(4,537,978)	(567,702)	(5,105,680)	(1,262,220)
Reversal of impairment loss on financial assets	4.1	135,417	246,461	381,878	94,407
Depreciation		(78,542)	-	(78,542)	(19,417)
<b>Profit/(Loss) before income tax</b>		<u>988,892</u>	<u>(1,069,787)</u>	<u>(80,895)</u>	<u>(19,999)</u>
Income tax expense	4.6	(312,079)	495,145	183,066	45,257
<b>Net profit for the year</b>		<u>676,813</u>	<u>(574,642)</u>	<u>102,171</u>	<u>25,258</u>

##### (iv) Reconciliation of the statement of cash flows for the year ended 31 December 2018

Certain reclassifications have been made to the presentation of the Company's statement of cash flows to conform to the current year's presentation following the adoption of CIFRS for SMEs.

## **BORVOR FINANCE PLC.**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **4. Transition to CIFRS for SMEs (continued)**

##### **4.1 Financial assets and liabilities**

###### **(a) Financial assets and liabilities measured at amortised cost**

Under the previous accounting framework, CAS, financial assets including balances with the NBC and loans to customers and financial liabilities including borrowings, were stated at principal outstanding and the accrued interest receivables and accrued interest payables were presented in other assets and other liabilities, respectively.

On the adoption of CIFRS for SMEs, these financial assets and financial liabilities are measured at amortised cost, resulting in increase of financial assets and decrease of other assets, and increase of financial liabilities and decrease of other liabilities.

Accrued interest receivable – net included in the amortise cost of loans.

Consequently, in the statement of comprehensive income for the year ended 31 December 2018, allowance for bad and doubtful loans to customers were KHR246,461 thousand higher applying CIFRS for SMEs.

At 1 January 2018 (the date of transition) the carrying amount of loans to customers is higher by KHR1,031,316 thousand applying CIFRS for SMEs; at 31 December 2018, loans to customers are higher by KHR984,191 thousand.

###### **(b) Interest income at amortised cost**

Under CAS, interest income on loans to customers and balances with the NBC was recognised on an accrual basis based on declining balances of the principal amount outstanding, except for loans to customers that have been classified as substandard, doubtful or loss. Interest accruing to these loans was credited to an interest in suspense account. Subsequently, interest income from these loans is recognised on a cash receipt basis.

On adoption of CIFRS for SMEs, interest income is recognised using the effective interest method. Under the effective interest method by applying the effective interest rate (“EIR”). The effective interest rate is determined on the basis of the carrying amount of the financial assets or liability at initial recognition. This adoption results in additional interest income.

###### **(c) Impairment of financial assets**

Under CAS, allowances for bad and doubtful loans and balance with banks were measured based on the Prakas No. B7-017-344, dated on 1 December 2017, on Credit Risk Grading and Impairment Provisioning, and Circular No. B7-018-001, dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Impairment Provisioning issued by the NBC. On adoption of CIFRS for SMEs, the impairment of loan is measured through a loss allowance for incurred credit loss, impacting loss allowance as at 1 January 2018 and as at and for the year ended 31 December 2018.

Deposits and placements with banks and loan to customers which are individually significant is assessed for impairment individually.

If the regulatory allowance is greater than the impairment under Section 11 of CIFRS for SMEs, the excess is recognised as regulatory reserves by transferring from retained earnings to reserves as per NBC Prakas No. B7-017-344.



## **BORVOR FINANCE PLC.**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **4. Transition to CIFRS for SMEs (continued)**

##### **4.2 Deposits from customers/Borrowings**

Under the previous accounting framework, CAS, deposits from customers/borrowings are stated at the amount of the principal outstanding. Under CIFRS for SMEs, borrowings are carried at amortised cost using the effective interest method in the statement of financial position.

##### **4.3 Loan protection and life savings (“LPLS”)**

There was no LPLS being collected from Community Base Microfinance Organisation (“CBMIFO”)’s in 2018. However, Borvor allocates its income on monthly basis at rate 0.04% of the savings balance in the previous month plus previous month outstanding loan balance to support LPLS program. Under the previous accounting framework, CAS, LPLS is stated at the placement value. On the adoption of CIFRS for SMEs, a provision is a liability of uncertain timing or amount. A provision is recognised when:

- a. There is a legal or constructive obligation arising from past events, or when it is more likely than not that a legal or constructive obligation has arisen from a past event;
- b. It is more likely than not that there will be an outflow of benefits; and
- c. The amount can be estimated reliably.

The loan protection and life savings does not meet the criteria for provision.

##### **4.4 Stability fund**

Stability fund is collected from 5 main sources as below:

- a. First fund transferred from loan protection and life savings based on the committee approval;
- b. 5% from total LPLS premium service yearly;
- c. 5% from each CBMIFOs’ yearly net profit and loss (not exceed KHR 10 million);
- d. The Company contribution base on the yearly net profit and loss and the committee approval amount; and
- e. Remaining fund “deducted all liability” from each CBMIFOs which is bankruptcy.

Under the previous accounting framework, CAS, stability fund is stated at the placement value. On the adoption of CIFRS for SMEs, a provision is a liability of uncertain timing or amount. A provision is recognised when:

- a. There is a legal or constructive obligation arising from past events, or when it is more likely than not that a legal or constructive obligation has arisen from a past event;
- b. It is more likely than not that there will be an outflow of benefits; and
- c. The amount can be estimated reliably.

The stability fund does not meet the criteria for provision.

## **BORVOR FINANCE PLC.**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **4. Transition to CIFRS for SMEs (continued)**

##### **4.5 Regulatory reserves**

According to NBC's Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning, excess amount of impairment calculated in accordance with regulatory provision compared to the impairment calculated under CIFRS for SMEs has to be transferred from retained earnings to regulatory reserve within shareholder's equity. This requirement resulted in increase in reserve and decrease in retained earnings but no impact on the profit or loss of the Company.

##### **4.6 Income tax**

The application of CIFRS for SMEs resulted in changes in deferred tax arising from the temporary differences in respect of the impairment of financial assets.

#### **5. Critical accounting estimates and judgements**

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of failure events that are believed to be reasonable under the circumstances. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*(i) Income and other taxes*

Taxes are calculated on the basis of current interpretation of the tax obligations. However, these regulations are subject to periodic variation and different interpretation following inspection by the tax authorities. These may result in tax increase and other retroactive tax claims. It is difficult to predict the timing and severity of these occurrences or their potential effect.

*(ii) Property and equipment*

Accounting for property and equipment involves the use of estimates for determining the expected useful lives of these assets. The determination of useful lives of the assets is based on Management's judgement.

*(iii) Allowance for doubtful debts*

Management establishes allowance for doubtful debts on a case-by-case basis when they believe collection of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial condition of customer were deteriorating, resulting in impairment of inability to make the required payments, allowance may be required to be made for such receivable. Refer to Note 3.17 (vii).

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 6. Cash on hand

	2019		2018	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Cash on hand	201,829	49,529	142,323	35,421
(a) By currency:				
	2019		2018	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Thai Baht	86,847	21,312	31,060	7,730
US Dollars	62,145	15,251	-	-
Khmer Riels	52,837	12,966	111,263	27,691
	201,829	49,529	142,323	35,421

#### 7. Deposits and placements with National Bank of Cambodia

	2019		2018	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Capital guarantee (i)	487,080	119,529	487,080	121,224
Current account (ii)	120	29	-	-
	487,200	119,558	487,080	121,224

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

The capital guarantee deposit earns no interest.

- (ii) Current account earns no interest.

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 8. Deposits and placements with other banks

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Head office - Battambang	1,599,486	392,512	232,550	57,877
Branches	351,498	86,257	107,617	26,784
	<u>1,950,984</u>	<u>478,769</u>	<u>340,167</u>	<u>84,661</u>

Deposits and placements with banks are analysed as follows:

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
(a) By maturity:				
Within 1 month	<u>1,950,984</u>	<u>478,769</u>	<u>340,167</u>	<u>84,661</u>
(b) By types:				
Saving accounts				
ACLEDA Bank Plc.	1,289,213	316,371	332,656	82,792
Advanced Bank of Asia Limited	<u>661,363</u>	<u>162,298</u>	<u>7,511</u>	<u>1,869</u>
	<u>1,950,576</u>	<u>478,669</u>	<u>340,167</u>	<u>84,661</u>
Current accounts				
Advanced Bank of Asia Limited	408	100	-	-
	<u>1,950,984</u>	<u>478,769</u>	<u>340,167</u>	<u>84,661</u>
(c) By currency:				
US Dollars	1,083,910	265,990	93,569	23,287
Khmer Riel	833,601	204,565	62,132	15,464
Thai Baht	<u>33,473</u>	<u>8,214</u>	<u>184,466</u>	<u>45,910</u>
	<u>1,950,984</u>	<u>478,769</u>	<u>340,167</u>	<u>84,661</u>
(d) By interest rate (per annum):				
		<b>2019</b>		<b>2018</b>
ACLEDA Bank Plc.		0.05%-0.50%		0.05%-0.50%
Advanced Bank of Asia Limited		<u>0 - 1.25%</u>		<u>0.25% - 1.25%</u>

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 9. Loans to customers – net

	2019		2018	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Loans to customer at amortised costs	33,151,195	8,135,263	31,290,144	7,787,492
Less: reversal of impairment loss allowance	(288,208)	(70,726)	(444,364)	(110,593)
	<u>32,862,987</u>	<u>8,064,537</u>	<u>30,845,780</u>	<u>7,676,899</u>

Movements of impairment loss allowance are as follows:

	2019		2018	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Balance at beginning of year	444,364	110,593	826,444	204,312
Allowance/(Reversal) for the year	45,207	11,157	(381,878)	(94,407)
Written off	(201,363)	(49,695)	-	-
Translation difference	-	-	(202)	(50)
Currency translation difference	-	(1,329)	-	738
Balance at the end of year	<u>288,208</u>	<u>70,726</u>	<u>444,364</u>	<u>110,593</u>

Gross loans to customers are analysed as follows:

##### (a) By currency:

	2019		2018	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Khmer Riel	9,891,807	2,427,437	1,985,839	494,236
US Dollars	9,774,872	2,398,742	19,083,890	4,749,599
Thai Baht	13,484,516	3,309,084	10,220,415	2,543,657
	<u>33,151,195</u>	<u>8,135,263</u>	<u>31,290,144</u>	<u>7,787,492</u>

##### (b) By residency status:

	2019		2018	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Residents	<u>33,151,195</u>	<u>8,135,263</u>	<u>31,290,144</u>	<u>7,787,492</u>

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 9. Loans to customers – net (continued)

##### (c) By interest rate (per annum):

	2019	2018
Loans to CBMIFOs	10.8% - 15.6%	15.60% - 18%
Loans to SMEs	15.60% - 18%	10.80% - 36%

##### (d) By maturity:

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Within one year	802,329	196,891	1,070,871	266,518
More than one year	32,348,866	7,938,372	30,219,273	7,520,974
	<u>33,151,195</u>	<u>8,135,263</u>	<u>31,290,144</u>	<u>7,787,492</u>

##### (e) By industry:

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Agriculture	16,753,870	4,111,379	18,802,031	4,679,450
Consumption	10,034,826	2,462,534	6,146,898	1,529,840
Trade	3,570,019	876,078	4,428,533	1,102,173
Service	1,602,195	393,177	1,628,988	405,423
Construction	53,468	13,121	283,694	70,606
Other categories	1,136,817	278,974	-	-
	<u>33,151,195</u>	<u>8,135,263</u>	<u>31,290,144</u>	<u>7,787,492</u>

##### (f) By relationship:

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
External customers	33,151,195	8,135,263	31,290,144	7,787,492

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 9. Loans to customers – net (continued)

(g) By exposure:

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Large exposures	2,134,436	523,788	2,121,123	527,905
Non-large exposures	31,016,759	7,611,475	29,169,021	7,259,587
	<u>33,151,195</u>	<u>8,135,263</u>	<u>31,290,144</u>	<u>7,787,492</u>

#### 10. Other assets

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Prepayments	54,100	13,276	25,434	6,330
Stock of office supplies	17,110	4,199	20,823	5,182
Others	124,626	30,583	10,403	2,589
	<u>195,836</u>	<u>48,058</u>	<u>56,660</u>	<u>14,101</u>

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 11. Property and equipment

2019	Land KHR'000	Building KHR'000	Motor vehicles KHR'000	Office equipment KHR'000	IT and computer equipment KHR'000	Total KHR'000	US\$ (Note 2.4)
<b>Cost</b>							
As at 1 January 2019	704,918	539,283	199,424	140,106	96,868	1,680,599	418,268
Additions	-	-	-	38,838	1,768	40,606	10,021
Disposal	-	-	(82)	-	-	(82)	(20)
Currency translation difference	-	-	-	-	-	-	(5,908)
As at 31 December 2019	704,918	539,283	199,342	178,944	98,636	1,721,123	422,361
<b>Accumulated depreciation</b>							
As at 1 January 2019	-	47,778	186,644	118,614	93,439	446,475	111,119
Charge for the year	-	28,425	10,670	18,054	2,465	59,614	14,712
Currency translation difference	-	-	-	-	-	-	(1,638)
As at 31 December 2019	-	76,203	197,314	136,668	95,904	506,089	124,193
<b>Carrying amounts</b>							
As at 31 December 2019	<b>704,918</b>	<b>463,080</b>	<b>2,028</b>	<b>42,276</b>	<b>2,732</b>	<b>1,215,034</b>	<b>298,168</b>



## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 11. Property and equipment (continued)

2018	Land KHR'000	Building KHR'000	Motor vehicles KHR'000	Office equipment KHR'000	IT and computer equipment KHR'000	KHR'000	Total US\$ (Note 2.4)
<b>Cost</b>							
As at 1 January 2018	779,485	639,854	200,544	140,807	93,965	1,854,655	459,414
Additions	-	-	-	6,920	3,290	10,210	2,524
Written off	(74,567)	(100,571)	(1,120)	(7,621)	(387)	(184,266)	(45,554)
Currency translation difference	-	-	-	-	-	-	1,884
As at 31 December 2018	704,918	539,283	199,424	140,106	96,868	1,680,599	418,268
<b>Accumulated depreciation</b>							
As at 1 January 2018	-	22,797	153,817	105,148	88,282	370,044	91,663
Charge for the year	-	25,207	33,710	14,027	5,598	78,542	19,417
Written off	-	(226)	(883)	(561)	(441)	(2,111)	(522)
Currency translation difference	-	-	-	-	-	-	561
As at 31 December 2018	-	47,778	186,644	118,614	93,439	446,475	111,119
<b>Carrying amounts</b>							
As at 31 December 2018	<b>704,918</b>	<b>491,505</b>	<b>12,780</b>	<b>21,492</b>	<b>3,429</b>	<b>1,234,124</b>	<b>307,149</b>

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 12. Deposit from customers

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Deposit from CBMIFOs:				
Compulsory savings	-	-	530,981	132,151
	-	-	530,981	132,151
Deposit from SMEs:				
Dormant accounts	985,538	241,850	1,025,648	255,263
Compulsory savings	946,619	232,299	2,607,653	648,993
Promissory notes	494,580	121,369	618,854	154,020
Voluntary savings	3,104	762	3,016	752
	2,429,841	596,280	4,255,171	1,059,028
	2,429,841	596,280	4,786,152	1,191,179

Deposit from customers are carried forward from prior years. No additional deposits from customers have been collected from 2018. The amounts are analysed as follows:

#### (a) By currency:

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Khmer Riel	1,616,196	396,613	3,300,163	821,345
US Dollars	65,836	16,156	74,943	18,652
Thai Baht	747,809	183,511	1,411,046	351,182
	2,429,841	596,280	4,786,152	1,191,179

#### (b) By location:

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Battambang	1,314,429	322,559	2,672,486	665,128
Banteay Meanchey	523,731	128,523	1,284,217	319,616
Bavel	591,681	145,198	829,449	206,435
	2,429,841	596,280	4,786,152	1,191,179

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 12. Deposit from customers (continued)

Deposit from customers are carried forward from prior years. No additional deposits from customers have been collected from 2018. The amounts are analysed as follows (continued):

##### (c) By interest rate (per annum):

	2019	2018
Deposit from CBMIFOs:		
Compulsory savings	9.00%	9.00%
Deposit from SMEs:		
Promissory notes	5.00% - 10.50%	5.00% - 10.50%
Compulsory savings	6.00%	8.00%
Voluntary savings	3.00%	3.00%

#### 13. Other payables

	2019		2018	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Severance benefits payable	1,082,919	265,747	1,149,000	285,963
Accrued expenses	323,742	79,446	247,830	61,680
Unearned income	140,337	34,439	326,317	81,214
Annual leave payable	34,576	8,485	19,986	4,974
Tax payables	20,825	5,110	25,853	6,434
Medical benefit payable	3,309	812	3,266	813
Other payables	7,804	1,915	1,587	395
	<u>1,613,512</u>	<u>395,954</u>	<u>1,773,839</u>	<u>441,473</u>

#### 14. Borrowings

	2019		2018	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Oikocredit Ecumenical Development Cooperative Society U.A.	3,905,207	958,333	-	-
CARE International UK Micro funds	3,303,031	810,560	2,867,326	713,620
Individual	2,747,967	674,347	1,426,390	355,000
Stichting Rabo Bank Foundation	1,630,000	400,000	2,812,600	700,000
	<u>11,586,205</u>	<u>2,843,240</u>	<u>7,106,316</u>	<u>1,768,620</u>

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 14. Borrowings (continued)

The above borrowings are analysed as follows:

(a) By maturity:

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Within 2 to 3 months	925,519	227,121	401,800	100,000
3 to 12 months	4,761,576	1,168,485	2,583,574	643,000
1 to 5 years	5,899,110	1,447,634	4,120,942	1,025,620
	<u>11,586,205</u>	<u>2,843,240</u>	<u>7,106,316</u>	<u>1,768,620</u>

(b) By currency:

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
US Dollars	<u>11,586,205</u>	<u>2,843,240</u>	<u>7,106,316</u>	<u>1,768,620</u>

(c) By interest rate (annually):

	2019	2018
US Dollars	<u>8%-9.5%</u>	<u>8.00% - 12.00%</u>

#### 15. Income tax

(a) Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Deferred tax assets	259,590	63,703	311,210	77,454
Deferred tax liabilities	(198,155)	(48,627)	(21,687)	(5,398)
	<u>61,435</u>	<u>15,076</u>	<u>289,523</u>	<u>72,056</u>

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 15. Income tax (continued)

##### (a) Deferred tax (continued)

(i) Deferred tax assets are attributable to the following:

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Depreciation	8,024	1,969	9,850	2,451
Provision for severance pay and annual leave	223,499	54,846	233,797	58,187
Impairment loss allowance	(8,535)	(2,094)	(21,687)	(5,397)
Unrealised exchange (gain)/loss	(189,620)	(46,533)	2,300	572
Deferred income	28,067	6,888	65,263	16,243
	<u>61,435</u>	<u>15,076</u>	<u>289,523</u>	<u>72,056</u>

(ii) Movements of deferred tax assets during the year are as follows:

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
At 1 January	289,523	72,056	137,679	34,104
Recognised in profit or loss	(228,088)	(56,290)	151,844	37,539
Currency translation difference	-	(690)	-	413
At 31 December	<u>61,435</u>	<u>15,076</u>	<u>289,523</u>	<u>72,056</u>

##### (b) Current income tax liabilities

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
At beginning of the year	100,871	25,105	195,045	48,314
Current income tax expense	230,922	56,990	181,208	44,798
Income tax paid	(267,800)	(66,091)	(275,382)	(68,080)
Currency translation difference	-	(300)	-	73
At end of the year	<u>63,993</u>	<u>15,704</u>	<u>100,871</u>	<u>25,105</u>

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 15. Income tax (continued)

##### (c) Income tax expense

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

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Current income tax	230,923	56,990	181,208	44,798
Under provision in prior year	-	-	153,702	37,998
Deferred tax	228,088	56,290	(151,844)	(37,539)
At end of the year	459,011	113,280	183,066	45,257

The reconciliation of income tax expense computed at the statutory tax rate to the income tax expense shown in the statement of comprehensive income is as follows:

	%	2019		2018	
		KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Profit before income tax		2,112,286	521,295	(80,895)	(19,999)
Income tax	20%	422,457	104,259	(16,179)	(4,000)
Non-deductible expenses		36,776	9,076	46,992	11,617
Under provision in prior year		-	-	153,702	37,998
Others		(222)	(55)	(1,449)	(358)
Income tax expense		459,011	113,280	183,066	45,257

The calculation of taxable income is subject to the review and approval of the tax authorities.

#### 16. Project SEAD Capital

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Project SEAD capital under Credit Union Foundation Australia ("CUFA") funds	83,365	20,841	83,365	20,841
Project SEAD capital under AusAID funds	866,456	216,614	866,456	216,614
	949,821	237,455	949,821	237,455

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 17. Share capital

	2019		2018			
	Number	KHR'000	US\$ (Note 2.4)	Number	KHR'000	US\$ (Note 2.4)
Registered:						
Ordinary shares of KHR'000						
200,000 each	48,708	9,741,600	2,435,400	48,708	9,741,600	2,435,400
Paid-up:						
Ordinary shares of KHR'000						
200,000 each	48,708	9,741,600	2,435,400	48,708	9,741,600	2,435,400

The paid-up capital of the Company as at 31 December 2019 is KHR'000 9,741,600.

The Company's share capital and shareholding structure are as follows:

	2019			2018		
	% of Ownership	Number of shares	Amount KHR'000	% of Ownership	Number of shares	Amount KHR'000
Mr. Meas Thon	0.82%	400	80,000	0.82%	400	80,000
Ms. Nget Ny	0.41%	200	40,000	0.41%	200	40,000
Ms. Chea Chanda	0.44%	216	43,200	0.44%	216	43,200
Mr. Vern Phally	0.14%	70	14,000	0.14%	70	14,000
Association of employee share (represented by Mr. Ly Chan Ty)	97.77%	47,622	9,524,400	97.77%	47,622	9,524,400
Mr. Ly Chanty	0.41%	200	40,000	0.41%	200	40,000
	100%	48,708	9,741,600	100%	48,708	9,741,600

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 18. Regulatory reserves

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Regulatory reserves(*)	386,227	94,780	418,890	104,253

(\*) Regulatory reserves:

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
At the beginning of the year	418,890	104,253	651,384	161,353
Less: reverse from reserve to retained earnings pertaining to impairment during the year	(32,663)	(8,061)	(232,494)	(57,477)
Currency translation difference	-	(1,412)	-	377
At the end of year	386,227	94,780	418,890	104,253

The reconciliation of regulatory reserve computed shown in the statement of financial position is as follows:

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Impairment on credit facilities required by the NBC				
- Deposits and placements with other banks	19,519	4,790	3,402	846
- Loans to customers	654,916	160,716	859,852	214,000
Impairment loss on financial assets under the NBC	674,435	165,506	863,254	214,846
Impairment loss on financial assets under CIFRS for SMEs (Note 9)	288,208	70,726	444,364	110,593
	386,227	94,780	418,890	104,253



## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 19. Interest income

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Loans to customers	5,617,004	1,386,230	5,185,629	1,281,985
Deposits and placements with banks	5,193	1,282	3,038	751
	<u>5,622,197</u>	<u>1,387,512</u>	<u>5,188,667</u>	<u>1,282,736</u>

#### 20. Interest expense

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Borrowings	423,414	104,495	310,102	76,663
Deposit from customers	147,259	36,342	354,913	87,741
	<u>570,673</u>	<u>140,837</u>	<u>665,015</u>	<u>164,404</u>

#### 21. Other operating income

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Gain on foreign exchanges	948,100	233,983	-	-
Penalty fee	27,229	6,720	49,374	12,206
Gain on disposal	12,373	3,054	-	-
Other income	100,828	24,883	148,423	36,693
	<u>1,088,530</u>	<u>268,640</u>	<u>197,797</u>	<u>48,899</u>

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 22. General and administrative expenses

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Staff salaries and wages	2,558,349	631,379	2,655,412	656,468
Severance and benefits	540,700	133,440	550,188	136,017
Rental	209,034	51,588	199,462	49,311
Professional fees	207,416	51,189	241,308	59,656
Medical expenses	129,622	31,990	146,149	36,131
Training & workshops	82,296	20,310	84,552	20,903
Office supplies	60,902	15,030	72,238	17,859
Insurance	57,711	14,243	60,808	15,033
Withholding tax	50,477	12,457	54,472	13,467
Utilities	47,458	11,712	49,280	12,183
Travel expenses	43,228	10,668	39,696	9,814
Fuel and gasoline	38,212	9,430	42,928	10,613
Repairs and maintenance	16,832	4,154	21,272	5,259
License fees	16,705	4,123	11,280	2,789
Communication	16,201	3,998	21,274	5,259
Bank charges	16,077	3,968	11,559	2,858
Litigation fees	14,049	3,467	23,565	5,826
Affiliation fees	7,654	1,889	7,468	1,846
Annual leave expense	1,300	321	6,894	1,704
Social Service fees	1,144	282	780	193
Other expenses	2,025	500	115,799	28,628
Stability fund	-	-	677,799	167,565
Loss on Exchange rate	-	-	11,497	2,838
	<u>4,117,392</u>	<u>1,016,138</u>	<u>5,105,680</u>	<u>1,262,220</u>

#### 23. Cash and cash equivalents

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Cash on hand (Note 6)	201,829	49,529	142,323	35,421
Deposits and placements with NBC (Note 7 (ii))	120	29	-	-
Deposits and placements with other banks (with maturities of 3 months or less) (Note 8)	1,950,984	478,769	340,167	84,661
	<u>2,152,933</u>	<u>528,327</u>	<u>482,490</u>	<u>120,082</u>

## BORVOR FINANCE PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 24. Related party transactions

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Mr. Meas Thon				
Borrowing	121,560	30,000	121,350	30,000
Interest expense	9,725	2,400	9,708	2,400
	<u>131,285</u>	<u>32,400</u>	<u>131,058</u>	<u>32,400</u>
Key management remuneration:				
Directors and key management personnel compensation	<u>429,374</u>	<u>105,965</u>	<u>407,642</u>	<u>100,776</u>

#### 25. Leases commitments

The Company leases office premises under an operating lease arrangement with minimum lease commitments as follows:

	2019		2018	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Within 1 year	41,340	10,145	38,340	9,542
2 to 5 years	47,637	11,690	31,224	7,771
	<u>88,977</u>	<u>21,835</u>	<u>69,564</u>	<u>17,313</u>

#### 26. Subsequent event

##### *Impact of Novel Coronavirus Outbreak to the Company*

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global as well as Cambodia business environment. Up to the date of this report, COVID-19 has not resulted in material impact to the Company. Pending on the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions for the Company arising thereof may have impact on the financial results of the Company, the extent of which could not be estimated as at the date of this report. The Company will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Company.