

**CAMBODIAN COMMUNITY SAVINGS
FEDERATION (“CCSF”)**

**Financial Statements
for the year ended 31 December 2015
and
Report of the Independent Auditors**

Corporate Information

Organisation	Cambodian Community Savings Federation ("CCSF" or "the Organisation")
Registered office	No. 99, Group 4, Romchek 5 Village Ratanak Commune, Battambang City, Battambang Province, Kingdom of Cambodia
Board of Directors	Ms. Keo Sambath, Chairwoman Mr. Chao Ly, Vice-chairman Mr. Moeurn Moeurth, Treasurer Ms. Oeurb Koem Hieng, Secretary Ms. Pen Vanna, Member
Management team	Ms. Phal Pisey, Chief Executive Officer Mr. Meas Thon, Operation Manager Ms. Nget Ny, Finance and Administrative Manager
Principal banker	ACLEDA Bank Plc.
Auditors	KPMG Cambodia Ltd

Cambodian Community Savings Federation

Contents

	Page
1. Statement by the management	1
2. Report of the independent auditors	2
3. Balance sheet	4
4. Income statement	5
5. Statement of changes in fund balance	6
6. Statement of cash flows	7
7. Notes to the financial statements	8



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Cambodian Community Savings Federation

Statement by the management

We do hereby state that, in our opinion, the accompanying financial statements of Cambodian Community Savings Federation (“CCSF” or “the Organisation”) for the year ended 31 December 2015, as set out on pages 4 to 34, are prepared, in all material respects, in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements.

Signed on behalf of the management,

Ms. Phal Pisey

Chief Executive Officer

Date: 27 JUL 2016

Ms. Nget Ny

Finance and Administrative Manager

Date: 27 JUL 2016



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REPORT OF THE INDEPENDENT AUDITORS

To the Board of Directors

Cambodian Community Savings Federation

We have audited the accompanying financial statements of Cambodian Community Savings Federation (“CCSF” or “the Organisation”), which comprise the balance sheet as at 31 December 2015, and the income statement, statement of changes in fund balance and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 4 to 34. These financial statements have been prepared by the management of the Organisation based on the basis of accounting and the accounting policies described in Note 2 to the financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements, 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.

Auditors’ responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements of Cambodian Community Savings Federation as at and for the year ended 31 December 2015 are prepared, in all material respects, in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting and the accounting policies adopted by CCSF. The financial statements are prepared for the information and use of the management of CCSF. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the management of CCSF and should not be distributed to or used by any other parties.

For KPMG Cambodia Ltd



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

27 July 2016

Cambodian Community Savings Federation

Balance sheet As at 31 December 2015

	Note	2015 KHR'000	2015 US\$ (Note 3)	2014 KHR'000
ASSETS				
Cash on hand	4	86,982	21,477	102,725
Deposits and placements with banks	5	1,562,798	385,876	468,694
Loans to customers	6	29,933,710	7,391,040	27,918,124
Other assets	7	353,446	87,271	314,502
Property and equipment	8	51,940	12,825	86,880
Deferred tax assets	9	114,907	28,372	53,469
TOTAL ASSETS		32,103,783	7,926,861	28,944,394
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Deposits from customers	10	7,487,875	1,848,858	6,122,584
Loan protection and life savings	11	2,814,884	695,033	3,549,659
Borrowings	12	7,235,264	1,786,485	7,819,166
Amounts due to CBMIFO members	13	299,617	73,980	276,119
Stability fund	14	1,597,136	394,355	-
Other liabilities	15	1,230,038	303,713	1,091,095
Current income tax liability	9	437,586	108,046	380,689
TOTAL LIABILITIES		21,102,400	5,210,470	19,239,312
FUND BALANCE				
Opening funds		86,720	21,412	86,720
Project SEED capital	16	949,821	234,524	949,821
Retained earnings		9,964,842	2,460,455	8,668,541
TOTAL FUND BALANCE		11,001,383	2,716,391	9,705,082
TOTAL LIABILITIES AND FUND BALANCE		32,103,783	7,926,861	28,944,394

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

Cambodian Community Savings Federation

Income statement for the year ended 31 December 2015

	Note	2015 KHR'000	US\$ (Note 3)	2014 KHR'000
Interest income	17	5,282,342	1,304,282	5,144,814
Interest expense	18	(943,929)	(233,069)	(922,408)
Net interest income		4,338,413	1,071,213	4,222,406
Other income	19	284,592	70,270	369,809
Administrative and other expenses	20	(3,093,390)	(763,800)	(2,425,103)
Operating income		1,529,615	377,683	2,167,112
Reversal of/(provision for) bad and doubtful loans and advances	6	195,790	48,343	(307,338)
Profit before income tax		1,725,405	426,026	1,859,774
Income tax expense	9	(429,104)	(105,952)	(430,125)
Net profit for the year		1,296,301	320,074	1,429,649

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

Cambodian Community Savings Federation

Statement of changes in fund balance for the year ended 31 December 2015

	Opening funds KHR'000	Project SEED capital KHR'000	Retained earnings KHR'000	Total KHR'000
Balance as at 1 January 2014	86,720	949,821	7,238,892	8,275,433
Net profit for the year	-	-	1,429,649	1,429,649
Balance as at 31 December 2014	<u>86,720</u>	<u>949,821</u>	<u>8,668,541</u>	<u>9,705,082</u>
Balance as at 1 January 2015	86,720	949,821	8,668,541	9,705,082
Net profit for the year	-	-	1,296,301	1,296,301
Balance as at 31 December 2015	<u>86,720</u>	<u>949,821</u>	<u>9,964,842</u>	<u>11,001,383</u>
Balance as at 31 December 2015 (US\$ equivalents – Note 3)	<u>21,412</u>	<u>234,524</u>	<u>2,460,455</u>	<u>2,716,391</u>

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

Cambodian Community Savings Federation

Statement of cash flows for the year ended 31 December 2015

	2015 KHR'000	US\$ (Note 3)	2014 KHR'000
Cash flows from operating activities			
Profit before income tax	1,725,405	426,026	1,859,774
Adjustments for:			
Depreciation	54,466	13,449	48,632
Allowance for bad and doubtful loans	(195,790)	(48,343)	307,338
Foreign exchange loss	387,717	95,733	105,959
	<u>1,971,798</u>	<u>486,865</u>	<u>2,321,703</u>
Changes in:			
Loans to customers	(2,207,513)	(545,065)	(5,555,399)
Other assets	(38,944)	(9,615)	(114,818)
Deposits from customers	1,365,291	337,109	955,221
Loan protection and life savings	(734,775)	(181,426)	819,969
Stability fund	1,597,136	394,355	-
Amounts due to CBMIFO members	23,498	5,802	48,684
Other liabilities	138,943	34,305	172,306
	<u>2,115,434</u>	<u>522,331</u>	<u>(1,352,334)</u>
Cash generated from/(used in) operations	2,115,434	522,331	(1,352,334)
Income tax paid	(433,645)	(107,073)	(430,403)
	<u>1,681,789</u>	<u>415,257</u>	<u>(1,782,737)</u>
Cash flows from investing activities			
Acquisition of property and equipment	(21,755)	(5,372)	(89,113)
Disposal of property and equipment	2,229	550	-
	<u>(19,526)</u>	<u>(4,822)</u>	<u>(89,113)</u>
Net cash used in investing activities	(19,526)	(4,822)	(89,113)
Cash flows from financing activities			
Proceeds from borrowings	4,183,745	1,033,024	5,379,488
Repayments of borrowings	(4,767,647)	(1,177,197)	(4,364,369)
	<u>(583,902)</u>	<u>(144,173)</u>	<u>1,015,119</u>
Net cash (used in)/generated from financing activities	(583,902)	(144,173)	1,015,119
Net increase/(decrease) in cash and cash equivalents	<u>1,078,361</u>	<u>266,262</u>	<u>(856,731)</u>
Cash and cash equivalents at beginning of the year	<u>571,419</u>	<u>141,091</u>	<u>1,428,150</u>
Cash and cash equivalents at end of the year	<u><u>1,649,780</u></u>	<u><u>407,353</u></u>	<u><u>571,419</u></u>
Cash and cash equivalents comprise:			
Cash on hand (Note 4)	86,982	21,477	102,725
Deposit and placements with banks (Note 5)	1,562,798	385,876	468,694
	<u>1,649,780</u>	<u>407,353</u>	<u>571,419</u>

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

Cambodian Community Savings Federation

Notes to the financial statements for the year ended 31 December 2015

1. Background and principal activities

Cambodian Community Savings Federation (“CCSF” or “the Organisation”) was formerly known as Small Economic Activity Development (“SEAD”), 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 economic security of low income households through mobilisation of savings of the members. The Project is implemented through community-based micro-finance organisations by establishment of saving banks at community level.

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

On 6 December 2002, CCSF obtained approval from the Ministry of Interior through its letter No.1248 SCN. In June 2007, CCSF registered with the National Bank of Cambodia (“NBC”) to operate as a rural credit operator with a term of three years. On 5 June 2010, CCSF obtained a second renewed registration with a term of another three years ended on 8 June 2013. On 7 February 2013, CCSF requested to NBC for an extension of the registration and obtained the renewal licence for another three years which is due to be ended on 14 October 2016. On 27 April 2016, CCSF requested to NBC for another extension of the licence for another three years. As at the date of the report, the approval from the NBC is still pending.

CCSF is engaged in providing micro-financing services through 3 branches located in Battambang, Banteay Meanchey, and Bavel. The registered office of CCSF is located at No. 99, Group 4, Phum Romchek 5, Sangkat Ratanak, Krong Battambang, Battambang Province, Kingdom of Cambodia.

CCSF has 69 employees as at 31 December 2015 (31 December 2014: 61 employees).

2. Significant accounting policies

(a) Basis of preparation

The financial statements, which are expressed in KHR, have been prepared in accordance with a modified cash basis of accounting. This is a basis of accounting that is designed to meet the requirements of CCSF; it is not designed to produce financial statements that are compatible with Cambodian International Financial Reporting Standards.

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

These financial statements were approved by the Organisation's management and authorised for issue on 27 July 2016.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis in accordance with the accounting policies set out below.

(c) Going concern assumption

The Organisation's financial statements have been prepared on a going concern basis. As at the date of the report, the approval from the NBC for an extension of the credit operator licence for another three years for the extended period from 14 October 2016 to 14 October 2019 is still pending.

As at the date of this report, there is no reason for the management to believe that the NBC will not approve for an extension of the registration of renewal licence.

(d) Basis of aggregation

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

(e) Functional and presentation currency

CCSF transacts its business and maintains its accounting records in three currencies, Khmer Riel ("KHR"), United States Dollars ("US\$") and Thai Baht ("THB"). Management has determined the KHR to be the functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of CCSF as the majority of the loan and saving transactions are in KHR.

Transactions in currencies other than KHR are translated into KHR at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than KHR at the reporting date are translated into KHR at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in income statement.

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

2. Significant accounting policies (continued)

(f) 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.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

(h) Deposits and placements with banks

Deposits and placements with banks are stated at cost.

(i) Loans to customers

All loans to customers are stated in the balance sheet at the amount of principal, less any amounts written off, and allowance for bad and doubtful loans and advances.

(j) Allowance for bad and doubtful loans to customers

CCSF follows the National Bank of Cambodia (NBC) guidelines, a specific allowance for bad and doubtful loans is made on loans that are identified as non-performing as follows:

Classification	Number of days past due	Provision
Short-term loans (less than one year):		
Sub-standard	30 – 59 days	10%
Doubtful	60 – 89 days	30%
Loss	90 days or more	100%

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

2. Significant accounting policies (continued)

(j) Allowance for bad and doubtful loans to customers (continued)

Long-term loans (more than one year):

Sub-standard	30 – 179 days	10%
Doubtful	180 – 359 days	30%
Loss	360 days or more	100%

The specific allowance is calculated as a percentage of the loans outstanding at the time the loan is classified, and is charged as expense.

The adequacy of the allowance for bad and doubtful loans is evaluated monthly by management. Factors considered in evaluating the adequacy of the provision include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients, the financial situation of clients and the performance of loans in relation to contract terms.

Recoveries on loans previously written off and reversal of previous provisions are disclosed as other operating income in the income statement.

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of the collateral, if any, when in the judgement of the management there is no prospect of recovery.

(k) Other assets

Other assets are carried at estimated realisable value.

(l) Property and equipment

(i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation of property and equipment is charged to the income statement on a straight line basis over the estimated useful lives of the individual assets at the following rates:

Motor vehicles	50%
Office equipment	20%
IT and computer equipment	50%

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

2. Significant accounting policies (continued)

(l) Property and equipment (continued)

- (iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Organisation. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.
- (v) Fully depreciated property and equipment are retained in the financial statements until disposed of or written off.

(m) Impairment of assets

(i) *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate future cash flows of that asset. This does not apply to loans and advances which has a separate accounting policy stated in Notes 2(h) and 2(i).

An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

2. Significant accounting policies (continued)

(m) Impairment of assets (continued)

(ii) *Non-financial assets*

The carrying amounts of the 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 income statement.

(n) Deposits from customers

Deposits from customers are stated at placement value.

(o) Loan protection and life savings

Loan protection and life savings ("LPLS") is collected from Community Based Micro-Finance Organisations ("CBMIFO") on a monthly basis at rate of 0.2% of the savings balance in the current month plus previous month outstanding loan balance to support LPLS programme.

The LPLS is stated at the placement value.

(p) Borrowings

Borrowings are stated at the amount of the principal outstanding.

(q) Amounts due to CBMIFO members

Amounts due to CBMIFO members are stated at placement value.

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

2. Significant accounting policies (continued)

(r) Stability fund

Stability fund is collected from 5 main sources as below:

- i. First fund transferred from Loan protection and life savings “LPLS” which is complying base on the committee approval.
- ii. 5% from total LPLS premium service yearly
- iii. 5% from each CBMIFOs’ yearly net profit/loss (not exceed KHR 10 million)
- iv. CCSF contribution base on the yearly net profit & loss and the committee approval amount, and
- v. Remaining fund “deducted all liability” from each CBMIFOs which is bankruptcy.

(s) Provisions

Provisions are recognised in the balance sheet when CCSF has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(t) Income and expense recognition

Interest income is recognised on cash basis.

Expenses are recognised on an accrual basis.

(u) Interest expense

Interest expense on deposits and borrowings is recognised on an accrual basis.

(v) Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease commitments are not recognised as liabilities until the obligation to pay becomes due.

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

2. Significant accounting policies (continued)

(w) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset 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.

(x) Related parties

Parties are considered to be related if CCSF has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or vice-versa, or where CCSF and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Related parties also include individuals who hold, directly or indirectly a minimum of 10% of the capital of CCSF or voting rights therefore, or who participates in the administration, direction, management, or the design and implementation of the internal controls of CCSF.

3. Translation of Khmer Riel into United States Dollars

The financial statements are stated in Khmer Riel. The translations of Khmer Riel amounts into United States Dollars are included solely for presentation purposes and have been made using the prescribed official exchange rate of KHR4,050 to US\$1 published by the NBC on 31 December 2015. These convenience translations should not be construed as representations that the Khmer Riel amounts have been, could have been, or could in the future be, converted into United States Dollars at this or any other rate of exchange.

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

4. Cash on hand

	2015 KHR'000	US\$ (Note 3)	2014 KHR'000
Khmer Riel	64,705	15,977	85,152
Thai Baht	22,277	5,500	17,573
	<u>86,982</u>	<u>21,477</u>	<u>102,725</u>

5. Deposits and placements with banks

	2015 KHR'000	US\$ (Note 3)	2014 KHR'000
Head office - Battambang	613,919	151,585	345,568
Branches			
Battambang	637,343	157,369	23,690
Banteay Meanchey	39,894	9,850	42,732
Bavel	271,642	67,072	56,704
	<u>1,562,798</u>	<u>385,876</u>	<u>468,694</u>

The deposits and placements with banks are analysed as follows:

	2015 KHR'000	US\$ (Note 3)	2014 KHR'000
(a) By maturity:			
Within 1 month	1,559,018	384,943	465,025
1 to 2 months	3,780	933	3,669
	<u>1,562,798</u>	<u>385,876</u>	<u>468,694</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

5. Deposits and placements with banks (continued)

The deposits and placements with banks are analysed as follows (continued):

	2015 KHR'000	US\$ (Note 3)	2014 KHR'000
(b) By type:			
<i>Saving accounts</i>			
ACLEDA Bank Plc.	1,193,309	294,644	301,208
Advanced Bank of Asia Limited	345,828	85,390	163,817
AMK Microfinance Institution Plc.	19,881	4,909	-
<i>Fixed deposit accounts</i>			
Advanced Bank of Asia Limited	3,780	933	3,669
	<u>1,562,798</u>	<u>385,876</u>	<u>468,694</u>
(c) By currency:			
Khmer Riel	988,299	244,025	106,646
US Dollars	358,657	88,557	168,210
Thai Baht	215,842	53,294	193,838
	<u>1,562,798</u>	<u>385,876</u>	<u>468,694</u>
(d) By interest rate (per annum):			
	2015		2014
ACLEDA Bank Plc.	0.50% – 1.25%		0.50% – 1.25%
Advanced Bank of Asia Limited	0.75% – 3.00%		0.75% – 3.00%
AMK Microfinance Institution Plc.	3.00%		-
	<u> </u>		<u> </u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

6. Loans to customers

Loans provided by CCSF consist of two categories: (i) Community Based Micro-Finance Organisations (“CBMIFO”); and (ii) individual borrowers, who are the owners of small businesses (“SME”).

	2015 KHR'000	US\$ (Note 3)	2014 KHR'000
Loans to CBMIFOs	27,222,600	6,721,630	26,160,331
Loans to SMEs	2,846,297	702,789	2,103,860
	<u>30,068,897</u>	<u>7,424,419</u>	<u>28,264,191</u>
Allowance for bad and doubtful loans	(135,187)	(33,379)	(346,067)
	<u>29,933,710</u>	<u>7,391,040</u>	<u>27,918,124</u>

The movement in the allowance for bad and doubtful loans is as follows:

	2015 KHR'000	US\$ (Note 3)	2014 KHR'000
At 1 January	346,067	85,448	36,316
Provision during the year	20,187	4,984	487,400
Reversal during the year	(215,977)	(53,327)	(180,062)
Written off during the year	(9,144)	(2,258)	(302)
Translation difference	(5,946)	(1,468)	2,715
	<u>135,187</u>	<u>33,379</u>	<u>346,067</u>

The loans to customers are analysed as follows:

	2015 KHR'000	US\$ (Note 3)	2014 KHR'000
(a) By maturity:			
Within 1 month	1,500,609	370,521	738,086
2 to 3 months	2,913,068	719,276	1,897,412
4 to 6 months	3,636,822	897,981	2,344,924
7 to 12 months	8,167,027	2,016,550	6,313,513
1 to 3 years	13,313,069	3,287,177	15,769,177
Over 3 years	538,302	132,914	1,201,079
	<u>30,068,897</u>	<u>7,424,419</u>	<u>28,264,191</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

6. Loans to customers (continued)

The loans to customers are analysed as follows: (continued)

	2015		2014
	KHR'000	US\$ (Note 3)	KHR'000
(b) By location:			
Battambang	14,782,085	3,649,898	13,730,049
Banteay Meanchey	6,014,781	1,485,131	6,301,297
Bavel	9,272,031	2,289,390	8,232,845
	<u>30,068,897</u>	<u>7,424,419</u>	<u>28,264,191</u>
(c) By industry:			
Agriculture	17,250,191	4,259,307	15,569,878
Construction	899,543	222,109	972,951
Services	1,583,598	391,012	934,770
Trade and others	10,335,565	2,551,991	10,786,592
	<u>30,068,897</u>	<u>7,424,419</u>	<u>28,264,191</u>
(d) By currency:			
Khmer Riel	23,524,036	5,808,404	21,559,106
Thai Baht	6,014,781	1,485,131	6,301,297
US Dollar	530,080	130,884	403,788
	<u>30,068,897</u>	<u>7,424,419</u>	<u>28,264,191</u>
(e) By residency status:			
Residents	<u>30,068,897</u>	<u>7,424,419</u>	<u>28,264,191</u>
(f) By relationship:			
Non-related parties	<u>30,068,897</u>	<u>7,424,419</u>	<u>28,264,191</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

6. Loans to customers (continued)

The loans to customers are analysed as follows (continued):

	2015 KHR'000	US\$ (Note 3)	2014 KHR'000
(g) By performance:			
Standard loans			
Secured	29,889,000	7,380,000	27,896,148
Sub-standard loans			
Secured	49,037	12,108	21,105
Doubtful loans			
Secured	825	204	4,259
Loss loans			
Secured	130,035	32,107	342,679
	<u>30,068,897</u>	<u>7,424,419</u>	<u>28,264,191</u>
(h) By interest rate (per annum):			
	2015		2014
Loans to CBMIFOs	15.60%-21.60%		15.60% – 24.00%
Loans to SMEs	18.00%-33.60%		18.00% – 36.00%

7. Other assets

	2015 KHR'000	US\$ (Note 3)	2014 KHR'000
Stock of office supplies	313,822	77,487	270,890
Deposit in registered stock share of Consorzio Etimos S.C.	24,535	6,058	24,687
Prepaid expenses	11,336	2,799	10,573
Staff advance	-	-	-
Others	3,753	927	8,352
	<u>353,446</u>	<u>87,271</u>	<u>314,502</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

8. Property and equipment

2015	Motor vehicles KHR'000	Office equipment KHR'000	IT and computer equipment KHR'000	Total KHR'000	US\$ (Note 3)
Cost					
At 1 January 2015	128,922	92,916	82,649	304,487	75,182
Additions	6,971	11,249	3,535	21,755	5,372
Disposal	-	(2,430)	-	(2,430)	(600)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2015	<u>135,893</u>	<u>101,735</u>	<u>86,184</u>	<u>323,812</u>	<u>79,954</u>
Less: Accumulated depreciation					
At 1 January 2015	104,773	45,792	67,042	217,607	53,730
Depreciation for the year	19,381	19,918	15,167	54,466	13,449
Disposal	-	(201)	-	(201)	(50)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2015	<u>124,154</u>	<u>65,509</u>	<u>82,209</u>	<u>271,872</u>	<u>67,129</u>
Carrying amounts					
At 31 December 2015	<u>11,739</u>	<u>36,226</u>	<u>3,975</u>	<u>51,940</u>	<u>12,825</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

8. Property and equipment (continued)

2014	Motor vehicles KHR'000	Office equipment KHR'000	IT and computer equipment KHR'000	Total KHR'000
Cost				
At 1 January 2014	103,709	47,521	64,144	215,374
Additions	25,213	45,395	18,505	89,113
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	128,922	92,916	82,649	304,487
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Less: Accumulated depreciation				
At 1 January 2014	83,491	31,684	53,800	168,975
Depreciation for the year	21,282	14,108	13,242	48,632
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	104,773	45,792	67,042	217,607
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Carrying amounts				
At 31 December 2014	24,149	47,124	15,607	86,880
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

9. Income tax

(a) Applicable tax rates

In accordance with Cambodian law, CCSF 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.

(b) Current income tax liability

	2015		2014
	KHR'000	US\$ (Note 3)	KHR'000
At 1 January	380,689	93,997	388,866
Charged to income statement	490,542	121,122	431,174
Income tax paid	(433,645)	(107,073)	(430,403)
Over provision in respect of prior year	-	-	(8,948)
	<u>437,586</u>	<u>108,046</u>	<u>380,689</u>

(c) Deferred tax assets

Deferred tax assets	114,907	28,372	53,469
Deferred tax liabilities	-	-	-
	<u>114,907</u>	<u>28,372</u>	<u>53,469</u>

Movement of deferred tax, net is as follows:

At 1 January	53,469	13,202	61,368
(Charge to)/reversals from income statement	61,438	15,170	(7,899)
	<u>114,907</u>	<u>28,372</u>	<u>53,469</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

9. Income tax (continued)

	2015		2014
	KHR'000	US\$ (Note 3)	KHR'000
Deferred tax assets are attributable to the following:			
Unrealised exchange loss	77,543	19,147	22,045
Depreciation	8,555	2,112	5,235
Provision severance pay and LPLS expense	28,809	7,113	26,189
	<u>114,907</u>	<u>28,372</u>	<u>53,469</u>
At 31 December	<u><u>114,907</u></u>	<u><u>28,372</u></u>	<u><u>53,469</u></u>

(d) Income tax expense

	2015		2014
	KHR'000	US\$ (Note 3)	KHR'000
Current income tax	490,542	121,122	431,174
Deferred tax	(61,438)	(15,170)	7,899
Over provision in respect of prior year	-	-	(8,948)
	<u>429,104</u>	<u>105,952</u>	<u>430,125</u>
	<u><u>429,104</u></u>	<u><u>105,952</u></u>	<u><u>430,125</u></u>

The reconciliation of income tax computed at the statutory tax rate to the income tax expense as shown in the profit or loss is as follows:

	2015		2014
	KHR'000	US\$ (Note 3)	KHR'000
Profit before income tax	<u>1,725,405</u>	<u>426,026</u>	<u>1,859,774</u>
Income tax using statutory rate at 20%	345,081	85,205	371,955
Effect of non-deductible expenses	22,585	5,577	67,118
Effect of temporary difference	61,438	15,170	-
Over provision in respect of prior year	-	-	(8,948)
	<u>429,104</u>	<u>105,952</u>	<u>430,125</u>
Income tax expense	<u><u>429,104</u></u>	<u><u>105,952</u></u>	<u><u>430,125</u></u>

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

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

10. Deposit from customers

	2015		2014
	KHR'000	US\$ (Note 3)	KHR'000
<i>Deposits from CBMIFOs:</i>			
Compulsory savings	5,505,155	1,359,297	4,680,871
Demand savings	967,467	238,881	631,933
	<u>6,472,622</u>	<u>1,598,178</u>	<u>5,312,804</u>
<i>Deposits from SMEs:</i>			
Promissory notes	457,037	112,849	417,931
Compulsory savings	424,391	104,788	360,397
Voluntary savings	2,463	608	2,807
Dormant accounts	131,362	32,435	28,645
	<u>1,015,253</u>	<u>250,680</u>	<u>809,780</u>
	<u><u>7,487,875</u></u>	<u><u>1,848,858</u></u>	<u><u>6,122,584</u></u>

Deposits from customers are analysed as follows:

	2015		2014
	KHR'000	US\$ (Note 3)	KHR'000
(a) By maturity:			
Within 1 month	1,107,565	273,473	721,084
2 to 3 months	3,390	837	124,179
4 to 6 months	3,648	901	108,392
7 to 12 months	207,190	51,158	127,661
More than 12 months	6,166,082	1,522,489	5,041,268
	<u>7,487,875</u>	<u>1,848,858</u>	<u>6,122,584</u>
(b) By currency:			
Khmer Riel	6,254,955	1,544,433	4,919,611
US Dollars	99,802	24,643	169,193
Thai Baht	1,133,118	279,782	1,033,780
	<u>7,487,875</u>	<u>1,848,858</u>	<u>6,122,584</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

10. Deposit from customers (continued)

	2015 KHR'000	US\$ (Note 3)	2014 KHR'000
(c) By location:			
Battambang	3,869,103	955,334	3,162,475
Banteay Meanchey	1,095,423	270,475	1,011,257
Bavel	2,523,349	623,049	1,948,852
	<u>7,487,875</u>	<u>1,848,858</u>	<u>6,122,584</u>
(d) By interest rate (per annum):			
	2015		2014
<i>Deposits from CBMIFOs:</i>			
Compulsory savings	8% -9%		8.00% – 9.00%
Demand savings	1.50%		1.50%
<i>Deposits from SMEs:</i>			
Promissory notes	3.00% -10.00%		3.00% – 10.00%
Compulsory savings	7.50% -8.00%		7.50% – 8.00%
Voluntary savings	3.00%		3.00%

11. Loan protection and life savings

	2015 KHR'000	US\$ (Note 3)	2014 KHR'000
Head office - Battambang	63,258	15,619	61,892
Branches			
Battambang	1,524,923	376,524	1,827,312
Banteay Meanchey	569,080	140,514	752,507
Bavel	657,623	162,376	907,948
	<u>2,814,884</u>	<u>695,033</u>	<u>3,549,659</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

11. Loan protection and life savings (continued)

Loan protection and life savings are analysed as follows:

	2015 KHR'000	US\$ (Note 3)	2014 KHR'000
By currency:			
Khmer Riel	2,245,804	554,519	2,797,152
Thai Baht	569,080	140,514	752,507
	<u>2,814,884</u>	<u>695,033</u>	<u>3,549,659</u>

Movement of loan protection and life savings are as follows:

	2015 KHR'000	US\$ (Note 3)	2014 KHR'000
Balance at beginning of the year	3,549,659	876,459	2,729,690
Addition during the year	1,218,094	300,764	1,046,726
Repayment during the year	(283,493)	(69,998)	(238,798)
Transferred to stability fund	(1,597,136)	(394,355)	-
Translation difference	(72,240)	(17,837)	12,041
Balance at end of the year	<u>2,814,884</u>	<u>695,033</u>	<u>3,549,659</u>

Loan protection and life savings (“LPLS”) is a programme aimed at reducing the burden of the family of a deceased member by eliminating the debt heritage. This programme secures the savings of the members, minimise financial risks and enhance solidarity in the community. This fund is collected from CBMIFOs to support LPLS programme on a monthly basis at rate of 0.2% of the savings balance in the previous month plus previous month loan balance.

LPLS funds will be paid for funeral contribution and claims from individual members of the CBMIFOs in accordance with the policy.

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

12. Borrowings

	Note	2015 KHR'000	US\$ (Note 3)	2014 KHR'000
Stichting Rabo Bank Foundation	(i)	4,110,750	1,015,000	3,850,875
Care International UK Microfunds	(ii)	2,130,014	525,929	2,225,097
Development International Desjardin Inc.,	(iii)	225,000	55,556	1,131,944
Individual	(iv)	769,500	190,000	611,250
		<u>7,235,264</u>	<u>1,786,485</u>	<u>7,819,166</u>

- (i) On 28 March 2012, the Organisation entered into a loan agreement with the Foundation for an amount of US\$500,000. The borrowing is for a duration of six years ending on 31 December 2017 and is repayable semi-annually, commencing on 30 June 2013. The interest rate is 6% per annum. The interest is to be paid semi-annually, commencing on 30 June 2012.

On 6 June 2013, the Organisation entered into another loan agreement with the Foundation for the amount US\$325,000 for the period of three years ending on 30 June 2016. The loan shall be repaid semi-annually in 5 equal instalments commencing on 30 June 2014. The interest rate is 8% per annum and to be paid semi-annually effective from 30 June 2014.

On 4 June 2014, the Organisation entered into another loan agreement with the Foundation for the amount US\$400,000 for the period of three years ending on 31 July 2018. The loan shall be repaid semi-annually in 6 equal instalments commencing on 31 January 2016. The interest rate is 8% per annum and to be paid semi-annually effective from 31 July 2014.

On 1 December 2015, the Organisation entered into another loan agreement with the Foundation for the amount US\$300,000 for the period of three years ending on 31 December 2019. The loan shall be repaid semi-annually in 6 equal instalments commencing on 30 June 2017. The interest rate is 8% per annum and to be paid semi-annually effective from 30 June 2016.

- (ii) On 29 November 2011, the Organisation entered into a loan agreement with Care International UK Microfunds (“CIUK”). The loan is initially disbursed by the Organisation to the customers, and then the loan is disbursed upon request from the Organisation through access to the Website maintained by CIUK. The loan is unsecured, interest free and the principal is payable on a monthly basis.

- (iii) On 12 March 2013, the Organisation entered into a loan agreement with Development International Desjardins Inc., amounting to US\$500,000. The loan is last for three years and mature on 31 March 2016 and is repayable in 9 equal instalments effective from 31 March 2014. The interest rate is 7% per annum, computed on the basis of a month of 30 days and a year of 360 days.

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

12. Borrowings (continued)

- (iv) On 24 June 2014, the Organisation entered into a loan agreement with Mrs. Pen Sari amounting to US\$40,000. The borrowing is for the duration of 2 years and 2 months ending on 31 August 2016 and is repayable at the maturity date. The interest rate is 12% per annum. The interest is to be paid monthly, commencing on 31 July 2014.

On 6 January 2014, the Organisation entered into a loan agreement with Mr. Yen Vanna amounting to US\$80,000. The borrowing is for the duration of 2 years and 2 months ending on 31 December 2016 and is repayable quarterly, commencing on 31 March 2016. The interest rate is 12% per annum. The interest is to be paid quarterly, commencing on 31 March 2014. On 1 April 2014, the Organisation entered into another loan agreement with Mr. Yen Vanna amounting to US\$30,000. The borrowing was for the duration of 1 year ended on 31 March 2015 and is fully repaid at the maturity date. The interest rate was 12% per annum payable quarterly, commencing on 30 June 2014.

On 1 April 2015, the Organisation entered into a loan agreement with Mr. Yen Vanna for an amount of US\$30,000. The borrowing is for the duration of 2 years ending on 31 March 2017 and is repayable at the maturity date. The interest rate is 12% per annum. The interest is to be paid quarterly, commencing on 30 June 2015.

On 10 June 2015, the Organisation entered into a loan agreement with Ms. Phal Soeun for an amount of US\$80,000 in which US\$40,000 has been drawn down in 2015. The borrowing is for the duration of 3 years ending in June 2018 and is repayable at the maturity date. The interest rate is 12% per annum. The interest is to be paid quarterly, commencing on September 2015.

The borrowings are further analysed as follows:

	2015		2014
	KHR'000	US\$ (Note 3)	KHR'000
(a) By maturity:			
Within 2 to 3 months	225,000	55,556	122,250
3 to 12 months	425,250	105,000	-
1 to 5 years	6,585,014	1,625,929	7,696,916
	<u>7,235,264</u>	<u>1,786,485</u>	<u>7,819,166</u>
(b) By currency:			
US Dollars	<u>7,235,264</u>	<u>1,786,485</u>	<u>7,819,166</u>
(c) By interest rate (per annum):			
US Dollars	<u>6.00% – 12.00%</u>		<u>6.00% – 12.00%</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

13. Amounts due to CBMIFO members

	2015		2014
	KHR'000	US\$ (Note 3)	KHR'000
Battambang	160,305	39,582	137,561
Banteay Meanchey	64,812	16,003	73,558
Bavel	74,500	18,395	65,000
	<u>299,617</u>	<u>73,980</u>	<u>276,119</u>

Amounts due to CBMIFO members are analysed as follows:

	2015		2014
	KHR'000	US\$ (Note 3)	KHR'000
By currency:			
Khmer Riel	234,805	57,977	202,561
Thai Baht	64,812	16,003	73,558
	<u>299,617</u>	<u>73,980</u>	<u>276,119</u>

CBMIFO members are required to pay an anticipated capital contribution to CCSF in order to obtain annual credit facilities. CCSF intends to convert this anticipated capital contribution to paid-up capital upon transformation to a licensed micro-finance institution. The amount is provided with interest between 0% to 10% per annum, depend on profit, and can be withdrawn when CBMIFO ceases operations or resigns from membership with CCSF.

14. Stability fund

Stability fund is a programme armed to protect risk through the establishment strong internal control and its community stability fund to ensure that its operation are operate effectively. This programme has been created and effective on 1 September 2015, in which the first source of fund was transferred from Loan protection and life savings "LPLS" amounting KHR 1,597 million or equivalent to US\$394,355.

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

15. Other liabilities

	2015		2014
	KHR'000	US\$ (Note 3)	KHR'000
Severance benefits payable	850,810	210,077	706,763
Accrued expenses	93,068	22,980	94,744
Withholding tax payable	53,541	13,220	49,143
Salary tax payable	36,049	8,901	34,281
Interest payable on borrowings	67,612	16,694	69,411
Annual leave payable	23,134	5,712	23,134
Interest payables on savings	29,747	7,345	26,447
Others	76,077	18,784	87,172
	<u>1,230,038</u>	<u>303,713</u>	<u>1,091,095</u>

16. Project SEED capital

	2015		2014
	KHR'000	US\$ (Note 3)	KHR'000
Project SEED capital under Credit Union			
Foundation Australia ("CUFA") funds	83,365	20,584	83,365
Project SEED capital under AusAID funds	866,456	213,940	866,456
	<u>949,821</u>	<u>234,524</u>	<u>949,821</u>

This represents fund received in prior years from several donors in order to cover CCSF's lending programme. CCSF intends to convert this project SEED capital to paid-up capital upon transformation to a licensed microfinance institution.

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

17. Interest income

	2015		2014
	KHR'000	US\$ (Note 3)	KHR'000
Loans and advances to customers	5,275,400	1,302,568	5,133,151
Deposits and placements with banks	6,942	1,714	11,663
	<u>5,282,342</u>	<u>1,304,282</u>	<u>5,144,814</u>

18. Interest expense

	2015		2014
	KHR'000	US\$ (Note 3)	KHR'000
Deposits from customers	528,270	130,437	453,058
Borrowings	415,659	102,632	469,350
	<u>943,929</u>	<u>233,069</u>	<u>922,408</u>

19. Other income

	2015		2014
	KHR'000	US\$ (Note 3)	KHR'000
Service fees income	249,151	61,519	338,518
Penalties	7,045	1,740	7,054
Other income	28,396	7,011	24,237
	<u>284,592</u>	<u>70,270</u>	<u>369,809</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

20. Administrative and other expenses

	2015		2014
	KHR'000	US\$ (Note 3)	KHR'000
Personnel expenses	1,440,223	355,611	1,127,362
Unrealised exchange loss	389,396	96,147	105,959
Severance and benefits expenses	390,464	96,411	304,737
Training and workshops	106,911	26,398	119,204
Rental expenses	144,266	35,621	131,769
Withholding tax expenses	58,430	14,427	65,731
Medical expenses	61,207	15,113	63,837
Allowance for loan protection and life savings-SMEs	54,271	13,400	51,369
Office supplies	26,999	6,666	33,096
Depreciation	54,466	13,449	48,632
Professional fees	44,215	10,917	38,244
Travel expense	37,217	9,189	43,596
Utilities	33,136	8,182	30,790
Fuel & gasoline	13,948	3,444	24,716
Promotion fees	15,943	3,937	16,928
Bank charges	13,130	3,242	14,198
Publication expenses	146,952	36,284	150,554
Communication expense	10,063	2,485	11,509
Repairs and maintenance	6,753	1,667	6,869
Others	45,400	11,210	36,003
	<u>3,093,390</u>	<u>763,800</u>	<u>2,425,103</u>

21. Commitments and contingencies

(a) Lease commitments

CCSF has operating lease commitments in respect of office rental as follows:

	2015		2014
	KHR'000	US\$ (Note 3)	KHR'000
Within 1 year	78,607	19,409	138,766
Between 1 to 3 years	41,689	10,294	141,727
	<u>120,296</u>	<u>29,703</u>	<u>280,493</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2015

21. Commitments and contingencies (continued)

(b) Taxation contingencies

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Organisation could be significant.