

**CAMBODIAN COMMUNITY SAVINGS
FEDERATION**

**Financial Statements
for the year ended 31 December 2016
and
Report of the Independent Auditors**

Corporate Information

Organisation	Cambodian Community Savings Federation
Registered office	No. 99, Group 4, Romchek 5 Village Ratanak Commune, Battambang City Battambang Province, Kingdom of Cambodia
Board of Directors	Ms. Keo Sambath, Chairman (resigned on 30 June 2015) Mr. Chao Ly, Vice-chairman (resigned on 30 June 2015) Mr. Moeurn Moeurth, Treasurer (resigned on 30 June 2015) Ms. Oeurb Koem Hieng, Secretary (resigned on 30 June 2015) Ms. Pen Vanna, Member (resigned on 30 June 2015)
Management team	Mr. Meas Thon, Chief Executive Officer (appointed on 28 February 2017) Ms. Phal Pisey, Chief Executive Officer (resigned on 28 February 2017) Ms. Chea Chanda, Chief Operation Officer (appointed on 28 February 2017) Ms. Nget Ny, Finance and Administrative Manager
Principal banker	ACLEDA Bank Plc.
Auditors	KPMG Cambodia Ltd

Cambodian Community Savings Federation

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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 ("the Organisation") for the year ended 31 December 2016, as set out on pages 5 to 37, 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,

Mr. Meas Thon
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

Date: 15 NOV 2017

Ms. Nget Ny
Finance and Administrative Manager

Date: 15 NOV 2017



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Report of the independent auditors To the Management Cambodian Community Savings Federation

Opinion

We have audited the financial statements of Cambodian Community Savings Federation (“the Organisation”), which comprise the balance sheet as at 31 December 2016, the income statement, the statements of changes in fund balance and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 5 to 37.

In our opinion, the accompanying financial statements are prepared, in all material respects, the financial position of the Organisation as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements.

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 Organisation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of the 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organisation'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 Organisation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

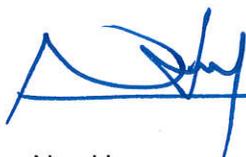
As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 effectiveness of the Organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.

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 **KPMG Cambodia Ltd**



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

15 November 2017

Cambodian Community Savings Federation

Balance sheet as at 31 December 2016

	Note	2016		2015	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
ASSETS					
Cash on hand	5	73,319	18,162	86,982	21,477
Deposits and placements with banks	6	6,098,685	1,510,697	1,562,798	385,876
Loans to customers	7	28,302,500	7,010,775	29,933,710	7,391,040
Other assets	8	276,319	68,447	353,446	87,271
Property and equipment	9	164,765	40,814	51,940	12,825
Deferred tax assets	10	33,937	8,406	114,907	28,372
TOTAL ASSETS		<u>34,949,525</u>	<u>8,657,301</u>	<u>32,103,783</u>	<u>7,926,861</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Deposits from customers	11	9,316,635	2,307,811	7,487,875	1,848,858
Loan protection and life savings	12	3,404,782	843,394	2,814,884	695,033
Borrowings	13	5,955,870	1,475,321	7,235,264	1,786,485
Amounts due to CBMIFO members	14	270,294	66,954	299,617	73,980
Stability fund	15	1,666,047	412,694	1,597,136	394,355
Other liabilities	16	1,351,814	334,857	1,230,038	303,713
Current income tax liability	10	426,163	105,564	437,586	108,046
		<u>22,391,605</u>	<u>5,546,595</u>	<u>21,102,400</u>	<u>5,210,470</u>
Fund balance					
Opening funds		86,720	21,481	86,720	21,412
Project SEED capital	17	949,821	235,279	949,821	234,524
Retained earnings		11,521,379	2,853,946	9,964,842	2,460,455
		<u>12,557,920</u>	<u>3,110,706</u>	<u>11,001,383</u>	<u>2,716,391</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>34,949,525</u>	<u>8,657,301</u>	<u>32,103,783</u>	<u>7,926,861</u>

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

Cambodian Community Savings Federation

Income statement for the year ended 31 December 2016

	Note	2016		2015	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Interest income	18	5,821,487	1,442,033	5,282,342	1,304,282
Interest expense	19	(943,618)	(233,742)	(943,929)	(233,069)
Net interest income		4,877,869	1,208,291	4,338,413	1,071,213
Other income	20	320,012	79,270	284,592	70,270
Administrative and other expenses	21	(2,911,417)	(721,183)	(3,093,390)	(763,800)
Operating income		2,286,464	566,378	1,529,615	377,683
Reversal bad and doubtful loans and advances	7	(170,441)	(42,220)	195,790	48,343
Profit before income tax		2,116,023	524,158	1,725,405	426,026
Income tax expense	10	(559,486)	(138,590)	(429,104)	(105,952)
Net profit for the year		1,556,537	385,568	1,296,301	320,074

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 2016

	Opening funds KHR'000	Project SEED capital KHR'000	Retained earnings KHR'000	Total KHR'000
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 1 January 2016	86,720	949,821	9,964,842	11,001,383
Net profit for the year	-	-	1,556,537	1,556,537
Balance as at 31 December 2016	<u>86,720</u>	<u>949,821</u>	<u>11,521,379</u>	<u>12,557,920</u>
Balance as at 31 December 2016 (US\$ equivalents – Note 4)	<u>21,481</u>	<u>235,279</u>	<u>2,853,946</u>	<u>3,110,706</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 2016

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Cash flows from operating activities				
Profit before income tax	2,116,023	524,158	1,725,405	426,026
Adjustments for:				
Depreciation	42,561	10,543	54,466	13,449
Allowance for bad and doubtful loans	170,441	42,220	(195,790)	(48,343)
Foreign exchange (gain)/loss	(178,772)	(44,283)	387,717	95,733
	<u>2,150,253</u>	<u>532,638</u>	<u>1,971,798</u>	<u>486,865</u>
Changes in:				
Loans to customers	1,639,541	406,129	(2,207,513)	(545,065)
Other assets	77,127	19,105	(38,944)	(9,615)
Deposits from customers	1,828,760	453,000	1,365,291	337,109
Loan protection and life savings	589,898	146,123	(734,775)	(181,426)
Amounts due to CBMIFO members	(29,323)	(7,264)	23,498	5,802
Stability fund	68,911	17,070	1,597,136	394,355
Other liabilities	121,776	30,165	138,943	34,305
	<u>6,446,943</u>	<u>1,596,966</u>	<u>2,115,434</u>	<u>522,331</u>
Cash generated from operations				
Income tax paid	(489,939)	(121,362)	(433,645)	(107,073)
	<u>5,957,004</u>	<u>1,475,604</u>	<u>1,681,789</u>	<u>415,258</u>
Cash flows from investing activities				
Acquisition of property and equipment	(162,999)	(40,376)	(21,755)	(5,372)
Proceeds from disposal of property and equipment	7,613	1,886	2,229	550
	<u>(155,386)</u>	<u>(38,490)</u>	<u>(19,526)</u>	<u>(4,822)</u>
Net cash used in investing activities				
Cash flows from financing activities				
Proceeds from borrowings	3,660,415	906,717	4,183,745	1,033,024
Repayments of borrowings	(4,939,809)	(1,223,635)	(4,767,647)	(1,177,197)
	<u>(1,279,394)</u>	<u>(316,918)</u>	<u>(583,902)</u>	<u>(144,173)</u>
Net cash used in financing activities				

Cambodian Community Savings Federation

Statement of cash flows (continued) for the year ended 31 December 2016

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Net increase in cash and cash equivalents	4,522,224	1,120,196	1,078,361	266,262
Cash and cash equivalents at beginning of the year	1,649,780	407,353	571,419	141,091
Currency transaction differences	-	1,310	-	-
Cash and cash equivalents at end of the year	<u>6,172,004</u>	<u>1,528,859</u>	<u>1,649,780</u>	<u>407,353</u>
Cash and cash equivalents comprise:				
Cash on hand (Note 5)	73,319	18,162	86,982	21,477
Deposits and placements with banks (Note 6)	<u>6,098,685</u>	<u>1,510,697</u>	<u>1,562,798</u>	<u>385,876</u>
	<u>6,172,004</u>	<u>1,528,859</u>	<u>1,649,780</u>	<u>407,353</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 2016

1. Background and principal activities

Cambodian Community Savings Federation (“the Organisation”) 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 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 (“CSCF”). Subsequently on 1 October 2002, the CSCF requested to the Ministry of Interior to change its name to Cambodian Community Savings Federation.

On 6 December 2002, the Organisation obtained approval from the Ministry of Interior through its letter No.1248 SCN. In June 2007, the Organisation 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, the Organisation obtained a second renewed registration with a term of another three years ended on 8 June 2013. On 7 February 2013, the Organisation 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, the Organisation requested to NBC for extension of the licence for another three years. On 12 June 2017 and 13 June 2017, the Organisation requested to the Ministry of Commerce and NBC, Respectively, to change its name from Cambodian Community Savings Federation to Borvor Finance Plc as per NBC requirement. As at the date of the report, the approval from NBC is still pending.

The Organisation is engaged in providing micro-financing services through 3 branches located in Battambang, Banteay Meanchey and Bavel. The registered office of the Organisation is located at No. 99, Group 4, Romchek 5 Village, Ratanak Commune, Battambang City, Battambang Province, Kingdom of Cambodia.

As at 31 December 2016, the Organisation has 79 employees (31 December 2015: 69 employees).

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

2. Basis of preparation

(a) Statement of compliance

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 the Organisation; it is not designed to produce financial statements that are compatible with Cambodian International Financial Reporting Standards.

These financial statements were approved by the Organisation's management and authorised for issue on 15 November 2017.

(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. On 12 June 2017 and 13 June 2017, the Organisation requested to the Ministry of Commerce and NBC, Respectively, to change its name from Cambodian Community Savings Federation to Borvor Finance Plc as per NBC requirement. As at the date of the report, the approval from NBC is still pending.

(d) Functional and presentation currency

The Organisation 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 the Organisation 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 2016

2. Basis of preparation (continued)

(e) 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.

3. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below.

(a) Basis of aggregation

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

(b) 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.

(c) Deposits and placements with banks

Deposits and placements with banks are stated at cost.

(d) 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.

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

3. Significant accounting policies (continued)

(e) Allowance for bad and doubtful loans to customers

In compliance with the 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	Allowance
<i>Short-term loans (less than one year):</i>		
Sub-standard	30 – 59 days	10%
Doubtful	60 – 89 days	30%
Loss	90 days or more	100%
<i>Long-term loans (more than one year):</i>		
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.

(f) Other assets

Other assets are carried at estimated realisable value.

(g) 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.

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

3. Significant accounting policies (continued)

(g) Property and equipment (continued)

- (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%
Land is not depreciated	

- (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.

(h) 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 Note 3(e).

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.

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

3. Significant accounting policies (continued)

(h) Impairment of assets (continued)

(i) *Financial assets (continued)*

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

(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.

If an impairment loss subsequently reverses, the carrying amount of the asset or group of assets is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset or group of assets in prior periods. A reversal of an impairment loss is recognised immediately in income statement.

(i) **Deposits from customers**

Deposits from customers are stated at placement value.

(j) **Loan protection and life savings**

Loan protection and life savings ("LPLS") are collected from Community-Based Micro-Finance Organisations ("CBMIFO") on a monthly basis at rate 0.14% 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.

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

3. Significant accounting policies (continued)

(k) Borrowings

Borrowings are stated at the amount of the principal outstanding.

(l) Amounts due to CBMIFO members

Amounts due to CBMIFO members are stated at placement value.

(m) Stability fund

Stability fund is collected from 5 main sources as below:

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

(n) Provisions

Provisions are recognised in the balance sheet when the Organisation 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.

(o) Income and expense recognition

Interest income is recognised on cash basis.

Expenses are recognised on an accrual basis.

(p) Interest expense

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

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

3. Significant accounting policies (continued)

(q) 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.

(r) Income tax

Income tax on the income statement for the year comprises current and deferred tax. It is recognised in the income statement except to the extent that it relates to items recognised directly to fund balance, in which case it is recognised in fund balance.

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.

(s) Related parties

Parties are considered to be related if the Organisation 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 the Organisation 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 the Organisation or voting rights therefore, or who participates in the administration, direction, management, or the design and implementation of the internal controls of the Organisation.

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

4. Translation of Khmer Riel into United States Dollars

The financial statements are stated in Khmer Riel (“KHR”). The translations of KHR amounts into United States Dollars (“US\$”) are included solely for presentation purposes and have been made using the prescribed official exchange rate of KHR4,037 to US\$1 published by the NBC on 31 December 2016 (31 December 2015: KHR4,050: US\$1). These convenient 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.

5. Cash on hand

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Khmer Riel	47,377	11,736	64,705	15,977
Thai Baht	25,942	6,426	22,277	5,500
	<u>73,319</u>	<u>18,162</u>	<u>86,982</u>	<u>21,477</u>

6. Deposits and placements with banks

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Head office - Battambang	530,824	131,490	613,919	151,585
Branches				
Battambang	2,574,724	637,781	637,343	157,369
Banteay Meanchey	667,382	165,316	39,894	9,850
Bavel	2,325,755	576,110	271,642	67,072
	<u>6,098,685</u>	<u>1,510,697</u>	<u>1,562,798</u>	<u>385,876</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

6. Deposits and placements with banks (continued)

The deposits and placements with banks are analysed as follows:

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(a) By maturity:				
Within 1 month	6,098,685	1,510,697	1,559,018	384,943
1 to 2 months	-	-	3,780	933
	<u>6,098,685</u>	<u>1,510,697</u>	<u>1,562,798</u>	<u>385,876</u>
(b) By type:				
<i>Savings accounts</i>				
ACLEDA Bank Plc.	6,060,071	1,501,132	1,193,309	294,644
Advanced Bank of Asia Limited	34,707	8,597	345,828	85,390
AMK Microfinance Institution Plc.	-	-	19,881	4,909
<i>Fixed deposit accounts</i>				
Advanced Bank of Asia Limited	3,907	968	3,780	933
	<u>6,098,685</u>	<u>1,510,697</u>	<u>1,562,798</u>	<u>385,876</u>
(c) By currency:				
Khmer Riel	5,033,744	1,246,902	988,299	244,025
Thai Baht	999,173	247,504	215,842	53,294
US Dollars	65,768	16,291	358,657	88,557
	<u>6,098,685</u>	<u>1,510,697</u>	<u>1,562,798</u>	<u>385,876</u>
(d) By interest rate (per annum):				
		2016	2015	
ACLEDA Bank Plc.		0.50%	0.50% – 1.25%	
Advanced Bank of Asia Limited		0.75% – 3.00%	0.75% – 3.00%	
AMK Microfinance Institution Plc.		0.00%	3.00%	

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

7. Loans to customers

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

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loans to CBMIFOs	19,200,785	4,756,201	27,222,600	6,721,630
Loans to SMEs	9,408,232	2,330,501	2,846,297	702,789
	<u>28,609,017</u>	<u>7,086,702</u>	<u>30,068,897</u>	<u>7,424,419</u>
Allowance for bad and doubtful loans	(306,517)	(75,927)	(135,187)	(33,379)
	<u>28,302,500</u>	<u>7,010,775</u>	<u>29,933,710</u>	<u>7,391,040</u>

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

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At 1 January	135,187	33,379	346,067	85,448
Provision during the year	439,118	108,774	20,187	4,984
Reversal during the year	(268,677)	(66,554)	(215,977)	(53,327)
Written off during the year	-	-	(9,144)	(2,258)
Translation difference	889	328	(5,946)	(1,468)
	<u>306,517</u>	<u>75,927</u>	<u>135,187</u>	<u>33,379</u>

The loans to customers are analysed as follows:

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(a) By maturity:				
Within 1 month	1,785,108	442,187	1,500,609	370,521
2 to 3 months	3,291,955	815,446	2,913,068	719,276
4 to 6 months	4,088,988	1,012,878	3,636,822	897,981
7 to 12 months	7,029,668	1,741,310	8,167,027	2,016,550
1 to 3 years	12,078,965	2,992,065	13,313,069	3,287,177
Over 3 years	334,333	82,816	538,302	132,914
	<u>28,609,017</u>	<u>7,086,702</u>	<u>30,068,897</u>	<u>7,424,419</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

7. Loans to customers (continued)

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(b) By location:				
Battambang	14,218,571	3,522,064	14,782,085	3,649,898
Banteay Meanchey	6,362,224	1,575,978	6,014,781	1,485,131
Bavel	8,028,222	1,988,660	9,272,031	2,289,390
	<u>28,609,017</u>	<u>7,086,702</u>	<u>30,068,897</u>	<u>7,424,419</u>
(c) By industry:				
Agriculture	15,308,192	3,791,972	17,250,191	4,259,307
Construction	258,809	64,109	899,543	222,109
Services	1,879,761	465,633	1,583,598	391,012
Trade and others	11,162,255	2,764,988	10,335,565	2,551,991
	<u>28,609,017</u>	<u>7,086,702</u>	<u>30,068,897</u>	<u>7,424,419</u>
(d) By currency:				
Khmer Riel	21,465,237	5,317,126	23,524,036	5,808,404
Thai Baht	6,389,014	1,582,614	6,014,781	1,485,131
US Dollar	754,766	186,962	530,080	130,884
	<u>28,609,017</u>	<u>7,086,702</u>	<u>30,068,897</u>	<u>7,424,419</u>
(e) By residency status:				
Residents	<u>28,609,017</u>	<u>7,086,702</u>	<u>30,068,897</u>	<u>7,424,419</u>
(f) By relationship:				
Non-related parties	<u>28,609,017</u>	<u>7,086,702</u>	<u>30,068,897</u>	<u>7,424,419</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

7. Loans to customers (continued)

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(g) By performance:				
Standard loans				
Secured	28,055,585	6,949,612	29,889,000	7,380,000
Sub-standard loans				
Secured	166,593	41,267	49,037	12,108
Doubtful loans				
Secured	130,222	32,257	825	204
Loss loans				
Secured	256,617	63,566	130,035	32,107
	<u>28,609,017</u>	<u>7,086,702</u>	<u>30,068,897</u>	<u>7,424,419</u>
(h) By interest rate (per annum):				
		2016		2015
Loans to CBMIFOs		15.60% - 24.00%		15.60% - 21.60%
Loans to SMEs		18.00% - 36.00%		18.00% - 33.60%

8. Other assets

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Stock of office supplies	244,142	60,476	313,822	77,487
Deposit in registered stock share of Consorzio Etimos S.C.	-	-	24,535	6,058
Prepaid expenses	24,622	6,099	11,336	2,799
Others	7,555	1,872	3,753	927
	<u>276,319</u>	<u>68,447</u>	<u>353,446</u>	<u>87,271</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

9. Property and equipment

2016	Land KHR'000	Motor vehicles KHR'000	Office equipment KHR'000	IT and computer equipment KHR'000	KHR'000	Total US\$ (Note 4)
Cost						
At 1 January 2016	-	135,893	101,735	86,184	323,812	79,954
Additions	118,857	17,414	16,439	10,289	162,999	40,376
Disposals	-	(20,021)	(3,827)	(10,068)	(33,916)	(8,401)
Currency translation difference	-	-	-	-	-	257
At 31 December 2016	<u>118,857</u>	<u>133,286</u>	<u>114,347</u>	<u>86,405</u>	<u>452,895</u>	<u>112,186</u>
Less: Accumulated depreciation						
At 1 January 2016	-	124,154	65,509	82,209	271,872	67,129
Depreciation for the year	-	15,537	19,005	8,019	42,561	10,543
Disposals	-	(19,857)	(1,715)	(4,731)	(26,303)	(6,515)
Currency translation difference	-	-	-	-	-	215
At 31 December 2016	<u>-</u>	<u>119,834</u>	<u>82,799</u>	<u>85,497</u>	<u>288,130</u>	<u>71,372</u>
Carrying amounts						
At 31 December 2016	<u>118,857</u>	<u>13,452</u>	<u>31,548</u>	<u>908</u>	<u>164,765</u>	<u>40,814</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

9. Property and equipment (continued)

2015	Motor vehicles KHR'000	Office equipment KHR'000	IT and computer equipment KHR'000	Total KHR'000	US\$ (Note 4)
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
Disposals	-	(2,430)	-	(2,430)	(600)
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
Disposals	-	(201)	-	(201)	(50)
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 2016

10. Income tax

(a) Applicable tax rates

In accordance with Cambodian law, the Organisation 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 annual turnover, whichever is higher.

(b) Current income tax liability

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At 1 January	437,586	108,046	380,689	93,997
Charged to income statement	478,516	118,533	490,542	121,122
Income tax paid	(489,939)	(121,362)	(433,645)	(107,073)
Currency translation difference	-	347	-	-
At 31 December	<u>426,163</u>	<u>105,564</u>	<u>437,586</u>	<u>108,046</u>

(c) Deferred tax assets

Movement of deferred tax, net is as follows:

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At 1 January	114,907	28,372	53,469	13,202
Charged to income statement	(80,970)	(20,057)	61,438	15,170
Currency translation difference	-	91	-	-
At 31 December	<u>33,937</u>	<u>8,406</u>	<u>114,907</u>	<u>28,372</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

10. Income tax (continued)

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Net deferred tax assets are attributable to the following:				
Unrealised exchange (gain)/loss	(9,536)	(2,362)	77,543	19,147
Depreciation	6,091	1,509	8,555	2,112
Provision severance pay and LPLS expense	37,382	9,260	28,809	7,113
At 31 December	<u>33,937</u>	<u>8,406</u>	<u>114,907</u>	<u>28,372</u>

(d) Income tax expense

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Current income tax	478,516	118,533	490,542	121,122
Deferred tax expense – Reversal of temporary differences	80,970	20,057	(61,438)	(15,170)
	<u>559,486</u>	<u>138,590</u>	<u>429,104</u>	<u>105,952</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:

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Profit before income tax	<u>2,116,023</u>	<u>524,158</u>	<u>1,725,405</u>	<u>426,026</u>
Income tax using statutory rate at 20%	423,205	104,832	345,081	85,205
Effect of non-deductible expenses	33,442	8,284	22,585	5,577
Effect of temporary difference	102,839	25,474	61,438	15,170
Income tax expense	<u>559,486</u>	<u>138,590</u>	<u>429,104</u>	<u>105,952</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 2016

11. Deposits from customers

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<i>Deposits from CBMIFOs:</i>				
Compulsory savings	5,584,686	1,383,375	5,505,155	1,359,297
Demand savings	1,476,989	365,863	967,467	238,881
	<u>7,061,675</u>	<u>1,749,238</u>	<u>6,472,622</u>	<u>1,598,178</u>
<i>Deposits from SMEs:</i>				
Compulsory savings	1,410,640	349,428	424,391	104,788
Promissory notes	531,017	131,538	457,037	112,849
Dormant accounts	177,036	43,852	131,362	32,435
Voluntary savings	136,267	33,755	2,463	608
	<u>2,254,960</u>	<u>558,573</u>	<u>1,015,253</u>	<u>250,680</u>
	<u>9,316,635</u>	<u>2,307,811</u>	<u>7,487,875</u>	<u>1,848,858</u>

Deposits from customers are analysed as follows:

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(a) By maturity:				
Within 1 month	1,784,581	442,056	1,107,565	273,473
2 to 3 months	7,240	1,793	3,390	837
4 to 6 months	127,753	31,646	3,648	901
7 to 12 months	777,762	192,658	207,190	51,158
More than 12 months	6,619,299	1,639,658	6,166,082	1,522,489
	<u>9,316,635</u>	<u>2,307,811</u>	<u>7,487,875</u>	<u>1,848,858</u>
(b) By currency:				
Khmer Riel	7,613,592	1,885,953	6,254,955	1,544,433
Thai Baht	1,537,845	380,937	1,133,118	279,782
US Dollars	165,198	40,921	99,802	24,643
	<u>9,316,635</u>	<u>2,307,811</u>	<u>7,487,875</u>	<u>1,848,858</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

11. Deposit from customers (continued)

Deposits from customers are analysed as follows (continued):

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(c) By location:				
Battambang	4,845,261	1,200,213	3,869,103	955,334
Banteay Meanchey	1,447,793	358,631	1,095,423	270,475
Bavel	3,023,581	748,967	2,523,349	623,049
	<u>9,316,635</u>	<u>2,307,811</u>	<u>7,487,875</u>	<u>1,848,858</u>

(d) By interest rate (per annum):

	2016	2015
<i>Deposits from CBMIFOs:</i>		
Compulsory savings	9.00%	8.00% - 9.00%
Demand savings	1.50%	1.50%
<i>Deposits from SMEs:</i>		
Promissory notes	5.00% - 10.50%	3.00% - 10.00%
Compulsory savings	8.00%	7.50% - 8.00%
Voluntary savings	<u>3.00%</u>	<u>3.00%</u>

12. Loan protection and life savings

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Head office - Battambang	63,891	15,826	63,258	15,619
Branches				
Battambang	1,812,166	448,889	1,524,923	376,524
Banteay Meanchey	711,787	176,316	569,080	140,514
Bavel	816,938	202,363	657,623	162,376
	<u>3,404,782</u>	<u>843,394</u>	<u>2,814,884</u>	<u>695,033</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

12. Loan protection and life savings (continued)

Loan protection and life savings are analysed as follows:

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
By currency:				
Khmer Riel	2,692,996	667,079	2,245,804	554,519
Thai Baht	711,786	176,315	569,080	140,514
	<u>3,404,782</u>	<u>843,394</u>	<u>2,814,884</u>	<u>695,033</u>

Movement of loan protection and life savings are as follows:

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Balance at beginning of the year	2,814,884	695,033	3,549,659	876,459
Addition during the year	884,857	219,187	1,218,094	300,764
Repayment during the year	(299,477)	(74,183)	(283,493)	(69,998)
Transferred to stability fund	(1,155)	(286)	(1,597,136)	(394,355)
Translation difference	5,673	3,643	(72,240)	(17,837)
Balance at end of the year	<u>3,404,782</u>	<u>843,394</u>	<u>2,814,884</u>	<u>695,033</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 a 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 2016

13. Borrowings

		2016		2015	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Stichting Rabo Bank Foundation	(i)	2,893,180	716,666	4,110,750	1,015,000
CARE International UK Microfunds	(ii)	2,457,140	608,655	2,130,014	525,929
Development International Desjardins Inc.,	(iii)	-	-	225,000	55,556
Individual	(iv)	605,550	150,000	769,500	190,000
		<u>5,955,870</u>	<u>1,475,321</u>	<u>7,235,264</u>	<u>1,786,485</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 an amount of 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 an amount of 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 an amount of 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.

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

13. Borrowings (continued)

- (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 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.
- (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 a 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 a 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 a 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 a 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 a 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 in September 2015.

On 10 May 2016, the Organisation entered into a loan agreement with Mr. Yen Vanna for an amount of US\$40,000. The borrowing is for a duration of 2 years ending on 30 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 30 June 2016.

On 1 September 2016, the Organisation entered into a renew loan agreement with Ms. Pen Sari for an amount of US\$40,000. The borrowing is for a duration of 2 years ending on 31 August 2018 and is repayable at the maturity date. The interest rate is 12% per annum. The interest is to be paid monthly, commencing on 30 September 2016.

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

13. Borrowings (continued)

The borrowings are further analysed as follows:

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(a) By maturity:				
Within 1 months	269,133	66,667	-	-
Within 2 to 3 months	121,110	30,000	225,000	55,556
3 to 12 months	1,076,533	266,667	425,250	105,000
1 to 5 years	4,489,094	1,111,987	6,585,014	1,625,929
	<u>5,955,870</u>	<u>1,475,321</u>	<u>7,235,264</u>	<u>1,786,485</u>
(b) By currency:				
US Dollars	<u>5,955,870</u>	<u>1,475,321</u>	<u>7,235,264</u>	<u>1,786,485</u>
(c) By interest rate (per annum):				
		2016		2015
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 2016

14. Amounts due to CBMIFO members

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Battambang	177,805	44,044	160,305	39,582
Bavel	62,500	15,481	74,500	18,395
Banteay Meanchey	29,989	7,429	64,812	16,003
	<u>270,294</u>	<u>66,954</u>	<u>299,617</u>	<u>73,980</u>

Amounts due to CBMIFO members are analysed as follows:

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
By currency:				
Khmer Riel	240,305	59,526	234,805	57,977
Thai Baht	29,989	7,428	64,812	16,003
	<u>270,294</u>	<u>66,954</u>	<u>299,617</u>	<u>73,980</u>

CBMIFO members are required to pay an anticipated capital contribution to the Organisation in order to obtain annual credit facilities. The Organisation 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 the Organisation.

15. Stability fund

Stability fund is programmed to protect risk through the establishment of strong internal control and its community stability fund to ensure that its operation are operating effectively. This programme has been created and effective on 1 September 2015, in which the source of fund was transferred from loan protection and life savings amounting to KHR 1,666 million or equivalent to US\$412,694 (in 2015: 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 2016

16. Other liabilities

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Severance benefits payable	1,037,718	257,052	850,810	210,077
Accrued expenses	128,094	31,730	93,068	22,980
Withholding tax payable	56,749	14,057	53,541	13,220
Salary tax payable	37,241	9,225	36,049	8,901
Interest payable on borrowings	35,885	8,889	67,612	16,694
Annual leave payable	23,134	5,730	23,134	5,712
Interest payables on savings	26,969	6,680	29,747	7,345
Unearned income	4,442	1,100	-	-
Others	1,582	394	76,077	18,784
	<u>1,351,814</u>	<u>334,857</u>	<u>1,230,038</u>	<u>303,713</u>

17. Project SEED capital

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Project SEED capital under Credit Union Foundation Australia ("CUFA") funds	83,365	20,650	83,365	20,584
Project SEED capital under AusAID funds	866,456	214,629	866,456	213,940
	<u>949,821</u>	<u>235,279</u>	<u>949,821</u>	<u>234,524</u>

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

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

18. Interest income

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loans and advances to customers	5,807,387	1,438,540	5,275,400	1,302,568
Deposits and placements with banks	14,100	3,493	6,942	1,714
	<u>5,821,487</u>	<u>1,442,033</u>	<u>5,282,342</u>	<u>1,304,282</u>

19. Interest expense

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Deposits from customers	592,448	146,754	528,270	130,437
Borrowings	351,170	86,988	415,659	102,632
	<u>943,618</u>	<u>233,742</u>	<u>943,929</u>	<u>233,069</u>

20. Other income

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Service fees income	211,341	52,352	249,151	61,519
Penalties	28,555	7,073	7,045	1,740
Other income	80,116	19,845	28,396	7,011
	<u>320,012</u>	<u>79,270</u>	<u>284,592</u>	<u>70,270</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

21. Administrative and other expenses

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Personnel expenses	1,686,373	417,729	1,440,223	355,611
Severance and benefits expenses	460,627	114,101	390,464	96,411
Rental expenses	188,719	46,747	144,266	35,621
Publication expenses	135,471	33,557	146,952	36,284
Allowance for LPLS-SMEs	116,297	28,808	54,271	13,400
Training and workshops	97,711	24,204	106,911	26,398
Medical expenses	75,134	18,611	61,207	15,113
Professional fees	72,561	17,974	44,215	10,917
Travel expense	61,248	15,172	37,217	9,189
Withholding tax expenses	50,912	12,611	58,430	14,427
Depreciation	42,561	10,543	54,466	13,449
Office supplies	40,638	10,066	26,999	6,666
Utilities	34,260	8,486	33,136	8,182
Fuel and gasoline	17,823	4,415	13,948	3,444
Repairs and maintenance	14,105	3,494	6,753	1,667
Promotion fees	13,866	3,435	15,943	3,937
Communication expense	11,149	2,762	10,063	2,485
Bank charges	10,503	2,602	13,130	3,242
Unrealised exchange (gain)/loss	(251,124)	(62,205)	389,396	96,147
Others	32,583	8,071	45,400	11,210
	<u>2,911,417</u>	<u>721,183</u>	<u>3,093,390</u>	<u>763,800</u>

22. Commitments and contingencies

(a) Lease commitments

The Organisation has operating lease commitments in respect of its office rental as follows:

	2016		2015	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Within 1 year	163,586	40,522	78,607	19,409
Between 2 to 5 years	228,682	56,647	41,689	10,294
	<u>392,268</u>	<u>97,169</u>	<u>120,296</u>	<u>29,703</u>

Cambodian Community Savings Federation

Notes to the financial statements (continued) for the year ended 31 December 2016

22. 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 could be significant.