

BORVOR FINANCE PLC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

AND

REPORT OF THE INDEPENDENT AUDITORS

Corporate information

Company:	Borvor Finance Plc.	
Registration No:	00029713	
Registered office:	#99, Group 4, Romchek 5 Village Ratanak Commune, Battambang City Battambang Province, Kingdom of Cambodia	
Shareholders:	Association of employee share (represented by Mr. Ly Chan Ty) Mr. Meas Thon Ms. Nget Ny Ms. Chea Chanda Mr. Veurn Phally Mr. Ly Chan Ty	
Board of Directors:	Mr. Sao Roeun Mr. Ly Chan Ty Mr. Prom Mary Mr. Suos Sovann Mr. Pheng Raksa	Chairman Vice Chairman Member Member Member
Principal bankers:	National Bank of Cambodia ACLEDA Bank Plc. Advanced Bank of Asia Limited	
Auditors:	Fii&Associates Co., Ltd.	

Borvor Finance Plc.

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Report of the Board of Directors

The Board of Directors (the "Board" or "Directors") hereby submit their report together with the audited financial statements of Borvor Finance Plc. ("the Company") for the year ended 31 December 2022 (the "financial year" or "year").

Principal activities

The principal business activities of the Company are to provide credit service and other financial services to individual customers in the Kingdom of Cambodia. There have been no significant changes in the nature of principal activities during the financial year.

Financial performance

The financial performance of the Company were as follows:

	2022		2021	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Profit/(Loss) before income tax	394,173	96,445	(657,875)	(161,720)
Income tax (expense)/credit	(191,952)	(46,966)	114,532	28,154
Net profit/(loss) for the year	202,221	49,479	(543,343)	(133,566)

Dividends

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

Share capital

The paid-up capital of the Company as at 31 December 2022 is KHR9,741,600 thousand (2021: KHR9,741,600 thousand) with a par value KHR200,000 per share. Refer to Note 15 for the detailed Company's share capital and shareholding structure.

Reserves and provisions

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

Borvor Finance Plc.

Report of the Board of Directors (continued)

Bad and doubtful debts

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

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

Current assets

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances that have arisen the value attributed to the current assets in the financial statements of the Company misleading.

Valuation methods

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

Contingent liabilities

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

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

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

Changes of circumstances

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

Borvor Finance Plc.

Report of the Board of Directors (continued)

Items of an unusual nature

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

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

Events since the reporting date

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

The Board of Directors

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

Mr. Sao Roeun	Chairman
Mr. Ly Chan Ty	Vice Chairman
Mr. Prom Mary	Member
Mr. Suos Sovann	Member
Mr. Pheng Raksa	Member

Directors' interests

The Directors' interest are disclosed in Note 15 of the financial statements.

Directors' benefits

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

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

Borvor Finance Plc.

Report of the Board of Directors (continued)

Directors' responsibility in respect of financial statements

The Board of Directors is responsible to ascertain that the financial statements are presented fairly, in all material respects, the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs"). In preparing those financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with CIFRS for SMEs or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) oversee the Company's financial reporting process and maintain adequate accounting records and effective system of internal control;
- (iv) assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so; and
- (v) effectively control and direct the Company in all material decisions affecting the operations and performance and ascertain that such has been properly reflected in the financial statements.

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

Approval of the financial statements

The Board of Directors hereby approve the accompanying financial statements as set out on pages 8 to 42 which present fairly, in all material respects, the financial position of Borvor Finance Plc. as at 31 December 2022, and its financial performance and its cash flows for the year then ended, in accordance with CIFRS for SMEs.

Signed on behalf of the Board of Directors,



Mr. Meas Thon
Chief Executive Officer

Battambang Province, Kingdom of Cambodia

28 April 2023

Report of the Independent Auditors To the shareholders Borvor Finance Plc.

Opinion

We have audited the financial statements of Borvor Finance Plc. (“the “Company”), which comprise the statement of financial position as at 31 December 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 8 to 42.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRS for SMEs”).

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Report of the Board of Directors as set out on pages 1 to 4.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Report of the Independent Auditors (continued)

To the shareholders

Borvor Finance Plc.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with CIFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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



Report of the Independent Auditors (continued)
To the shareholders
Borvor Finance Plc.

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

- Conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or condition may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosure, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Fii&Associates Co., Ltd.

Seng Chanthan
Audit Partner

Phnom Penh, Kingdom of Cambodia

28 April 2023

Borvor Finance Plc.

Statement of financial position As at 31 December 2022

		2022		2021	
	Note	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
ASSETS					
Cash on hand	4	186,234	45,235	145,358	35,679
Deposits and placements with the NBC	5	487,560	118,426	487,640	119,696
Deposits and placements with banks	6	1,040,785	252,802	540,862	132,759
Loans to customers	7	28,303,510	6,874,790	31,428,902	7,714,507
Other assets	8	66,213	16,083	81,020	19,887
Property and equipment	9	1,221,411	296,675	1,274,540	312,847
Deferred tax assets	11.1	249,971	60,717	441,923	108,474
Total assets		31,555,684	7,664,728	34,400,245	8,443,849
LIABILITIES AND EQUITY					
Liabilities					
Deposit from customers	10	1,159,365	281,604	1,340,567	329,054
Other payables	12	1,207,754	293,358	1,192,813	292,786
Borrowings	13	8,929,847	2,169,018	11,810,238	2,898,929
Minimum tax liability	11.2	5,952	1,446	6,082	1,493
Total liabilities		11,302,918	2,745,426	14,349,700	3,522,262
Equity					
Project SEAD capital	14	949,821	237,455	949,821	237,455
Share capital	15	9,741,600	2,435,400	9,741,600	2,435,400
Regulatory reserves	16	1,094,218	265,780	1,174,621	288,321
Retained earnings		8,467,127	2,108,801	8,184,503	2,039,649
Currency translation differences		-	(128,134)	-	(79,238)
Total equity		20,252,766	4,919,302	20,050,545	4,921,587
Total liabilities and equity		31,555,684	7,664,728	34,400,245	8,443,849

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

Borvor Finance Plc.

Statement of comprehensive income for the year ended 31 December 2022

	Note	2022		2021	
		KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Interest income	17	5,300,540	1,296,927	5,671,248	1,394,112
Interest expense	18	(672,151)	(164,461)	(879,282)	(216,146)
Net interest income		4,628,389	1,132,466	4,791,966	1,177,966
Other income	19	211,621	51,779	144,344	35,483
Total operating income		4,840,010	1,184,245	4,936,310	1,213,449
General and administrative expenses	20	(4,221,367)	(1,032,877)	(5,277,883)	(1,297,415)
Net impairment loss on financial assets	7	(73,473)	(17,977)	(165,539)	(40,693)
Depreciation		(95,875)	(23,459)	(92,607)	(22,765)
Minimum tax expense	11.2	(55,122)	(13,487)	(58,156)	(14,296)
Profit/(loss) before income tax		394,173	96,445	(657,875)	(161,720)
Income tax (expense)/credit	11.3	(191,952)	(46,966)	114,532	28,154
Net profit/(loss) for the year		202,221	49,479	(543,343)	(133,566)
Other comprehensive loss					
Currency translation difference		-	(51,764)	-	(36,043)
Total comprehensive income/(loss) for the year		202,221	(2,285)	(543,343)	(169,609)

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

Borvor Finance Plc.

Statement of changes in equity for the year ended 31 December 2022

	Project SEAD capital		Share capital		Regulatory reserves		Retained earnings		Currency translation differences		Total	
	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$
	(Note 2.4)		(Note 2.4)		(Note 2.4)		(Note 2.4)		(Note 2.4)		(Note 2.4)	
At 1 January 2021	949,821	237,455	9,741,600	2,435,400	429,418	106,160	9,473,049	2,356,402	-	(44,221)	20,593,888	5,091,196
Comprehensive income/(loss) for the year												
Transfer to reserves	-	-	-	-	745,203	183,187	(745,203)	(183,187)	-	-	-	-
Net loss for the year	-	-	-	-	-	-	(543,343)	(133,566)	-	-	(543,343)	(133,566)
Other comprehensive loss												
Currency translation differences	-	-	-	-	-	(1,026)	-	-	-	(35,017)	-	(36,043)
Total comprehensive income/(loss) for the year	-	-	-	-	745,203	182,161	(1,288,546)	(316,753)	-	(35,017)	(543,343)	(169,609)
At 31 December 2021	<u>949,821</u>	<u>237,455</u>	<u>9,741,600</u>	<u>2,435,400</u>	<u>1,174,621</u>	<u>288,321</u>	<u>8,184,503</u>	<u>2,039,649</u>	<u>-</u>	<u>(79,238)</u>	<u>20,050,545</u>	<u>4,921,587</u>

Borvor Finance Plc.

Statement of changes in equity (continued) for the year ended 31 December 2022

	Project SEAD capital		Share capital		Regulatory reserves		Retained earnings		Currency translation differences		Total	
	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$
	(Note 2.4)		(Note 2.4)		(Note 2.4)		(Note 2.4)		(Note 2.4)		(Note 2.4)	
At 1 January 2022	949,821	237,455	9,741,600	2,435,400	1,174,621	288,321	8,184,503	2,039,649	-	(79,238)	20,050,545	4,921,587
Comprehensive (loss)/ income for the year												
Transfer to reserves	-	-	-	-	(80,403)	(19,673)	80,403	19,673	-	-	-	-
Net profit for the year	-	-	-	-	-	-	202,221	49,479	-	-	202,221	49,479
Other comprehensive loss												
Currency translation differences	-	-	-	-	-	(2,868)	-	-	-	(48,896)	-	(51,764)
Total comprehensive (loss)/income for the year	-	-	-	-	(80,403)	(22,541)	282,624	69,152	-	(48,896)	202,221	(2,285)
At 31 December 2022	<u>949,821</u>	<u>237,455</u>	<u>9,741,600</u>	<u>2,435,400</u>	<u>1,094,218</u>	<u>265,780</u>	<u>8,467,127</u>	<u>2,108,801</u>	<u>-</u>	<u>(128,134)</u>	<u>20,252,766</u>	<u>4,919,302</u>

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

Borvor Finance Plc.

Statement of cash flows for the year ended 31 December 2022

	2022		2021	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Cash flows from operating activities				
Net profit/(loss) for the year	202,221	49,479	(543,343)	(133,566)
<i>Adjustments for:</i>				
Minimum tax expense	55,122	13,487	58,156	14,296
Income tax expense/(credit)	191,952	46,966	(114,532)	(28,154)
Net impairment loss financial assets	73,473	17,977	165,539	40,693
Depreciation	95,875	23,459	92,607	22,765
Unrealised exchange gain	(265,128)	(64,871)	(1,304,049)	(320,563)
	353,515	86,497	(1,645,622)	(404,529)
<i>Changes in:</i>				
Loans to customers	3,390,520	829,586	2,628,136	646,051
Other assets	14,807	3,623	38,678	9,508
Deposits from customers	(181,202)	(44,336)	(516,107)	(126,870)
Other payables	14,941	3,656	(88,892)	(21,852)
	3,592,581	879,026	416,193	102,309
Seniority indemnity paid	(68,493)	(16,759)	(164,533)	(40,445)
Minimum and income tax paid	(55,252)	(13,519)	(88,487)	(21,752)
Net cash generated from operating activities	3,468,836	848,748	163,173	40,111
Cash flows from investing activities				
Purchases of property and equipment	(47,726)	(11,678)	(17,448)	(4,289)
Net cash used in investing activities	(47,726)	(11,678)	(17,448)	(4,289)
Cash flows from financing activities				
Proceeds from borrowings	1,167,293	285,611	5,602,339	1,377,173
Repayments of borrowings	(4,047,684)	(990,380)	(6,641,597)	(1,632,644)
Net cash used in financing activities	(2,880,391)	(704,769)	(1,039,258)	(255,471)
Net increase/(decrease) in cash and cash equivalents	540,719	132,301	(893,533)	(219,649)
Cash and cash equivalent at 1 January	686,780	168,576	1,580,313	390,683
Currency translation difference	-	(2,723)	-	(2,458)
Cash and cash equivalents at 31 December (Note 21)	1,227,499	298,154	686,780	168,576

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

Borvor Finance Plc.

Notes to the financial statements for the year ended 31 December 2022

1. Reporting entity

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

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

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

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

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

The Company operates through 3 branches located in Battambang, Banteay Meanchey, and Bavel.

The registered office of the Company is located at No. 99, Group 4, Phum Romchek 5, Sangkat Ratanak, Krong Battambang, Battambang Province, Kingdom of Cambodia.

As at 31 December 2022, the Company had 109 employees (2021: 118 employees).

2. Basis of preparation

2.1 Statement of compliance

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

Details of the Company’s significant accounting policies are included in Note 25.

These financial statements were approved by the Board of Directors and authorised for issue on 28 April 2023.

2.2 Fiscal year and reporting period

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

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

2. Basis of preparation (continued)

2.3 Basis of measurement

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

2.4 Functional and presentation currency

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

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

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

Assets and liabilities are translated at the closing rate as at the reporting date, and equity accounts are translated at the historical rate. The statements of comprehensive income and cash flows are translated into US\$ using the average rate for the year. Exchange differences arising from the translation are recognised as “currency translation difference” in the other comprehensive income. The accumulative currency translation differences are recognised as a separate component of equity.

The Company uses the following exchange rates:

Financial year end	Closing rate	Average rate
31 December 2022	US\$1 = KHR4,117	US\$1 = KHR4,087
31 December 2021	US\$1 = KHR4,074	US\$1 = KHR4,068

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

**Notes to the financial statements (continued)
for the year ended 31 December 2022**

2. Basis of preparation (continued)

2.5 Use of estimates and judgements

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2022 is set out in Note 3 - Critical accounting estimates and judgements.

3. Critical accounting estimates and judgements

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

3.1 Income and other taxes

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

3.2 Property and equipment

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

3.3 Allowance for doubtful debts

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

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

4. Cash on hand

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Thai Baht	26,866	6,525	40,244	9,878
US Dollars	79,623	19,340	56,187	13,791
Khmer Riels	79,745	19,370	48,927	12,010
	<u>186,234</u>	<u>45,235</u>	<u>145,358</u>	<u>35,679</u>

5. Deposits and placements with the NBC

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Capital guarantee (i)	487,080	118,309	487,080	119,558
Current account (ii)	480	117	560	138
	<u>487,560</u>	<u>118,426</u>	<u>487,120</u>	<u>119,696</u>

- (i) The capital guarantee deposit is maintained with the NBC in compliance with Prakas No. B7-017-326 on Granting Certificate of Rural Credit Institution, the amounts of which are determined at 5% of the Company's registered share capital. The guarantee deposit will be refunded to the Company when the Company decides to close the business which is not contained the deposit from customers.

The capital guarantee deposit earns no interest.

- (ii) Current account earns no interest.

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Notes to the financial statements (continued) for the year ended 31 December 2022

6. Deposits and placements with banks

	2022		2021	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Saving accounts	1,040,373	252,702	540,453	132,659
Current accounts	412	100	409	100
	<u>1,040,785</u>	<u>252,802</u>	<u>540,862</u>	<u>132,759</u>

Deposits and placements with banks are analysed as follows:

	2022		2021	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
(a) By maturity:				
Within 1 month	<u>1,040,785</u>	<u>252,802</u>	<u>540,862</u>	<u>132,759</u>
(b) By currency:				
US Dollars	238,725	57,985	222,716	54,667
Khmer Riel	551,348	133,920	228,434	56,071
Thai Baht	250,712	60,897	89,712	22,021
	<u>1,040,785</u>	<u>252,802</u>	<u>540,862</u>	<u>132,759</u>

	2022	2021
(c) By interest rate (per annum):		
Saving accounts	0.05% - 0.50%	0.05% - 0.50%
Current accounts	<u>0%</u>	<u>0%</u>

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

7. Loans to customers

	2022		2021	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Loans to customer at costs	28,988,062	7,041,064	32,201,196	7,904,074
Unearned income	(373,721)	(90,775)	(422,591)	(103,729)
	<u>28,614,341</u>	<u>6,950,289</u>	<u>31,778,605</u>	<u>7,800,345</u>
Less: Impairment loss allowance	(310,831)	(75,499)	(349,703)	(85,838)
	<u>28,303,510</u>	<u>6,874,790</u>	<u>31,428,902</u>	<u>7,714,507</u>

Movements of allowance for impairment losses are as follows:

	2022		2021	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
At 1 January	349,703	85,838	266,431	65,867
Allowance for the year	73,473	17,977	165,539	40,693
Written off during the year	(112,345)	(27,488)	(82,267)	(20,223)
Currency translation difference	-	(828)	-	(499)
At 31 December	<u>310,831</u>	<u>75,499</u>	<u>349,703</u>	<u>85,838</u>

Gross loans to customers are analysed as follows:

(a) By currency:

	2022		2021	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Khmer Riel	8,972,519	2,179,383	8,912,027	2,187,537
US Dollars	15,663,832	3,804,671	16,067,548	3,943,925
Thai Baht	4,351,711	1,057,010	7,221,621	1,772,612
	<u>28,988,062</u>	<u>7,041,064</u>	<u>32,201,196</u>	<u>7,904,074</u>

(b) By residency status:

	2022		2021	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Residents	<u>28,988,062</u>	<u>7,041,064</u>	<u>32,201,196</u>	<u>7,904,074</u>

Borvor Finance Plc.**Notes to the financial statements (continued)
for the year ended 31 December 2022****7. Loans to customers (continued)**

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

(c) By interest rate (per annum):

	2022	2021
Loans to Community Based Microfinance Organisations (CBMIFOs)	10.8%	10.8%
Loans to SMEs	15.60% - 18%	15.60% - 18%

(d) By maturity:

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Within one year	237,907	57,786	526,401	129,210
From one to five years	22,250,164	5,404,461	25,774,471	6,326,576
Over five years	6,499,991	1,578,817	5,900,324	1,448,288
	<u>28,988,062</u>	<u>7,041,064</u>	<u>32,201,196</u>	<u>7,904,074</u>

(e) By industry:

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Agriculture	14,369,196	3,490,210	16,284,417	3,997,157
Consumption	8,666,296	2,105,003	9,622,188	2,361,853
Trade	3,620,978	879,519	4,373,342	1,073,476
Service	1,377,947	334,697	1,434,467	352,103
Construction	938,845	228,041	468,449	114,985
Other categories	14,800	3,594	18,333	4,500
	<u>28,988,062</u>	<u>7,041,064</u>	<u>32,201,196</u>	<u>7,904,074</u>

(f) By relationship:

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
External customers	<u>28,988,062</u>	<u>7,041,064</u>	<u>32,201,196</u>	<u>7,904,074</u>

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

7. Loans to customers (continued)

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

(g) By exposure:

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Large exposures	2,913,933	707,781	3,288,042	807,080
Non-large exposures	26,074,129	6,333,283	28,913,154	7,096,994
	<u>28,988,062</u>	<u>7,041,064</u>	<u>32,201,196</u>	<u>7,904,074</u>

8. Other assets

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Prepayments	16,640	4,042	34,572	8,486
Stock of office supplies	-	-	6,244	1,533
Others	49,573	12,041	40,204	9,868
	<u>66,213</u>	<u>16,083</u>	<u>81,020</u>	<u>19,887</u>

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

9. Property and equipment

31 December 2022	Land KHR'000	Building KHR'000	Motor vehicles KHR'000	Office equipment KHR'000	IT and computer equipment KHR'000	Total KHR'000	US\$ (Note 2.4)
Cost							
At 1 January 2022	704,918	539,283	380,394	211,553	104,636	1,940,784	476,383
Additions	-	-	18,054	22,831	6,841	47,726	11,678
Disposals	-	-	(26,793)	(23,813)	-	(50,606)	(12,382)
Other adjustments	(1,637)	(1,435)	3,618	2,105	804	3,455	845
Currency translation difference	-	-	-	-	-	-	(4,977)
At 31 December 2022	703,281	537,848	375,273	212,676	112,281	1,941,359	471,547
Less: Accumulated depreciation							
At 1 January 2022	-	133,791	252,383	178,772	101,298	666,244	163,536
Charge for the year	-	28,795	36,014	24,335	6,731	95,875	23,459
Disposals	-	-	(26,588)	(23,742)	-	(50,330)	(12,315)
Other adjustments	-	1,743	3,527	1,753	1,136	8,159	1,996
Currency translation difference	-	-	-	-	-	-	(1,804)
At 31 December 2022	-	164,329	265,336	181,118	109,165	719,948	174,872
Carrying amounts							
At 31 December 2022	703,281	373,519	109,937	31,558	3,116	1,221,411	296,675

Borvor Finance Plc.

Notes to the financial statements (continued)
for the year ended 31 December 2022

9. Property and equipment (continued)

31 December 2021	Land KHR'000	Building KHR'000	Motor vehicles KHR'000	Office equipment KHR'000	IT and computer equipment KHR'000	Total KHR'000	US\$ (Note 2.4)
Cost							
At 1 January 2021	704,918	539,283	380,394	196,385	102,356	1,923,336	475,485
Additions	-	-	-	15,168	2,280	17,448	4,289
Currency translation difference	-	-	-	-	-	-	(3,391)
At 31 December 2021	704,918	539,283	380,394	211,553	104,636	1,940,784	476,383
Less: Accumulated depreciation							
At 1 January 2021	-	105,031	216,247	153,915	98,444	573,637	141,814
Charge for the year	-	28,760	36,136	24,857	2,854	92,607	22,765
Currency translation difference	-	-	-	-	-	-	(1,043)
At 31 December 2021	-	133,791	252,383	178,772	101,298	666,244	163,536
Carrying amounts							
At 31 December 2021	704,918	405,492	128,011	32,781	3,338	1,274,540	312,847

Notes to the financial statements (continued)
for the year ended 31 December 2022

10. Deposit from customers

	2022		2021	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Deposit from SMEs:				
Dormant accounts	782,226	189,999	821,557	201,659
Compulsory savings	366,868	89,110	456,199	111,978
Promissory notes	6,913	1,679	59,546	14,616
Voluntary savings	3,358	816	3,265	801
	<u>1,159,365</u>	<u>281,604</u>	<u>1,340,567</u>	<u>329,054</u>

Deposit from customers are carried forward from prior years. No additional deposits from customers have been collected from 2019. The amounts are analysed as follows:

(a) By currency:

	2022		2021	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Khmer Riel	884,103	214,744	990,696	243,176
US Dollars	-	-	552	135
Thai Baht	275,262	66,860	349,319	85,743
	<u>1,159,365</u>	<u>281,604</u>	<u>1,340,567</u>	<u>329,054</u>

(b) By location:

	2022		2021	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Battambang	511,269	124,185	619,243	151,998
Banteay Meanchey	275,262	66,860	304,139	74,654
Bavel	372,834	90,559	417,185	102,402
	<u>1,159,365</u>	<u>281,604</u>	<u>1,340,567</u>	<u>329,054</u>

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

10. Deposit from customers (continued)

The amounts are analysed as follows (continued):

(c) By interest rate (per annum):

	2022	2021
Deposit from CBMIFOs:		
Compulsory savings	9.00%	9.00%
Deposit from SMEs:		
Promissory notes	5.00% - 10.50%	5.00% - 10.50%
Compulsory savings	6.00%	6.00%
Voluntary savings	3.00%	3.00%

11. Income tax

11.1 Deferred tax assets, net

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Deferred tax assets	345,955	84,031	533,728	131,008
Deferred tax liabilities	(95,984)	(23,314)	(91,805)	(22,534)
	249,971	60,717	441,923	108,474

(i) Movements deferred tax assets are attributable to the following:

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Accelerated depreciation	8,439	2,050	673	165
Provision for severance pay and annual leave	209,746	50,946	210,718	51,722
Medical benefit payable	-	-	753	185
Impairment loss allowance	(95,984)	(23,314)	(91,805)	(22,534)
Unrealised exchange loss	53,026	12,880	237,066	58,190
Deferred income	74,744	18,155	84,518	20,746
	249,971	60,717	441,923	108,474

Notes to the financial statements (continued)
for the year ended 31 December 2022

11. Income tax (continued)

11.1 Deferred tax assets, net (continued)

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

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
At 1 January	441,923	108,474	327,391	80,937
Recognised in profit or loss	(191,952)	(46,966)	114,532	28,154
Currency translation difference	-	(791)	-	(617)
At 31 December	<u>249,971</u>	<u>60,717</u>	<u>441,923</u>	<u>108,474</u>

11.2 Current income tax/minimum tax liability

Current income tax liability

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
At 1 January	-	-	36,413	9,002
Current income tax expense	-	-	-	-
Income tax paid	-	-	(36,413)	(8,951)
Currency translation difference	-	-	-	(51)
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Minimum tax liability

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
At 1 January	6,082	1,493	-	-
Minimum tax expense	55,122	13,487	58,156	14,296
Minimum tax paid	(55,252)	(13,519)	(52,074)	(12,801)
Currency translation difference	-	(15)	-	(2)
At 31 December	<u>5,952</u>	<u>1,446</u>	<u>6,082</u>	<u>1,493</u>

**Notes to the financial statements (continued)
for the year ended 31 December 2022****11. Income tax (continued)****11.3 Income tax credit/(expense)**

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

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Current income tax	-	-	-	-
Deferred tax	191,952	46,966	(114,532)	(28,154)
Income tax expense/(credit)	<u>191,952</u>	<u>46,966</u>	<u>(114,532)</u>	<u>(28,154)</u>

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

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Profit/(Loss) before income tax	<u>394,173</u>	<u>96,446</u>	<u>(657,875)</u>	<u>(161,720)</u>
Income tax using income tax rate at 20%	78,835	19,289	(131,575)	(32,344)
Tax effects in respect of:				
Non-deductible expenses	4,363	1,068	15,831	3,892
Unrecognised tax loss	114,810	28,092	1,987	488
Others	(6,056)	(1,483)	(775)	(190)
Income tax expense/(credit)	<u>191,952</u>	<u>46,966</u>	<u>(114,532)</u>	<u>(28,154)</u>

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

Borvor Finance Plc.**Notes to the financial statements (continued)
for the year ended 31 December 2022****12. Other payables**

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Severance benefits payable	897,238	217,935	904,511	222,020
Accrued expenses	151,490	36,796	91,873	22,551
Annual leave payable	51,902	12,607	149,076	36,592
Tax payables	18,407	4,471	16,775	4,118
Medical benefit payable	-	-	3,764	924
Other payables	88,717	21,549	26,814	6,580
	<u>1,207,754</u>	<u>293,358</u>	<u>1,192,813</u>	<u>292,785</u>

13. Borrowings

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Stichting Rabo Bank Foundation	823,400	200,000	2,065,814	507,073
CARE International UK Micro funds	3,439,857	835,525	3,718,125	912,647
Individual	4,057,348	985,511	3,215,500	789,273
Oikocredit Ecumenical Development Cooperative Society U.A.	609,242	147,982	2,810,799	689,936
	<u>8,929,847</u>	<u>2,169,018</u>	<u>11,810,238</u>	<u>2,898,929</u>

The above borrowings are analysed as follows:

(a) By maturity:

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Within 1 month	160,000	38,863	-	-
Within 2 to 3 months	993,960	241,428	364,050	89,359
3 to 12 months	1,138,571	276,554	2,833,000	695,385
1 to 5 years	6,637,316	1,612,173	8,613,188	2,114,185
	<u>8,929,847</u>	<u>2,169,018</u>	<u>11,810,238</u>	<u>2,898,929</u>

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

13. Borrowings (continued)

The above borrowings are analysed as follows (continued):

(b) By currency:

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Khmer Riel	161,093	39,129	-	-
US Dollars	8,768,754	2,129,889	11,810,238	2,898,929
	<u>8,929,847</u>	<u>2,169,018</u>	<u>11,810,238</u>	<u>2,898,929</u>

(c) By interest rate (annually):

	2022	2021
Khmer Riel	8.2%	-
US Dollars	8%-9.5%	8%-9.5%

14. Project SEAD Capital

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Project SEAD capital under Credit Union Foundation Australia ("CUFA") funds	83,365	20,841	83,365	20,841
Project SEAD capital under AusAID funds	866,456	216,614	866,456	216,614
	<u>949,821</u>	<u>237,455</u>	<u>949,821</u>	<u>237,455</u>

Refer to Note 1 for detail.

15. Share capital

	2022			2021		
	Number	KHR'000	US\$	Number	KHR'000	US\$
			(Note 2.4)			(Note 2.4)
Registered:						
Ordinary shares of KHR200,000 each	48,708	9,741,600	2,435,400	48,708	9,741,600	2,435,400
Issued and paid-up:						
Ordinary shares of KHR200,000 each	48,708	9,741,600	2,435,400	48,708	9,741,600	2,435,400

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

15. Share capital (continued)

The shareholding structure of the Company is as follows:

	2022			2021		
	% of Ownership	Number of shares	Amount KHR'000	% of Ownership	Number of shares	Amount KHR'000
Association of employee share (represented by Mr. Ly Chan Ty)	97.78%	47,622	9,524,400	97.78%	47,622	9,524,400
Mr. Meas Thon	0.82%	400	80,000	0.82%	400	80,000
Ms. Nget Ny	0.41%	200	40,000	0.41%	200	40,000
Ms. Chea Chanda	0.44%	216	43,200	0.44%	216	43,200
Mr. Veurn Phally	0.14%	70	14,000	0.14%	70	14,000
Mr. Ly Chanty	0.41%	200	40,000	0.41%	200	40,000
	100%	48,708	9,741,600	100%	48,708	9,741,600

16. Regulatory reserves

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Regulatory reserves (*)	1,094,218	265,780	1,174,621	288,321

(*) Regulatory reserves:

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
At 1 January	1,174,621	288,321	429,418	106,160
Transfers	(80,403)	(19,673)	745,203	183,187
Currency translation difference	-	(2,868)	-	(1,026)
At 31 December	1,094,218	265,780	1,174,621	288,321

Notes to the financial statements (continued)
for the year ended 31 December 2022

16. Regulatory reserves (continued)

Transfer from retained earnings to reserve pertaining to impairment during the year when the provision under NBC requirement is higher than CIFRS for SMEs:

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Impairment on credit facilities required by the NBC				
- Deposits and placements with banks	10,408	2,527	5,409	1,328
- Loans to customers	1,394,641	338,752	1,518,915	372,831
	<u>1,405,049</u>	<u>341,279</u>	<u>1,524,324</u>	<u>374,159</u>
Impairment loss on financial assets under CIFRS for SMEs (Note 7)	310,831	75,499	349,703	85,838
	<u>1,094,218</u>	<u>265,780</u>	<u>1,174,621</u>	<u>288,321</u>

17. Interest income

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Loans to customers	5,296,958	1,296,050	5,666,990	1,393,065
Deposit with banks	3,582	877	4,258	1,047
	<u>5,300,540</u>	<u>1,296,927</u>	<u>5,671,248</u>	<u>1,394,112</u>

18. Interest expense

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Borrowings	645,525	157,946	834,486	205,134
Deposit from customers	26,626	6,515	44,796	11,012
	<u>672,151</u>	<u>164,461</u>	<u>879,282</u>	<u>216,146</u>

19. Other income

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Penalty fee	130,084	31,829	52,590	12,928
Others	81,537	19,950	91,754	22,555
	<u>211,621</u>	<u>51,779</u>	<u>144,344</u>	<u>35,483</u>

**Notes to the financial statements (continued)
for the year ended 31 December 2022**

20. General and administrative expenses

	2022		2021	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Staff salaries and wages	2,813,743	688,462	2,599,941	639,120
Loss on exchange rate	265,128	64,871	1,304,049	320,563
Severance and benefits	227,462	55,655	406,122	99,833
Rental	212,439	51,979	200,396	49,262
Professional fees	123,435	30,202	147,972	36,375
Medical expenses	118,313	28,949	118,689	29,176
Training and Workshops	82,111	20,091	54,921	13,501
Office supplies	53,297	13,041	76,777	18,873
Insurance	50,221	12,288	54,073	13,292
Utilities	46,439	11,363	48,067	11,816
Fuel & gasoline	45,355	11,097	37,721	9,273
Annual leave expense	34,003	8,320	4,102	1,008
Travel and DSA	26,983	6,602	26,387	6,486
Social Service fees	23,312	5,704	590	145
Loan protection and life savings ("LPLS") expense	19,317	4,726	71,122	17,483
Other charge on borrowings	18,075	4,423	19,493	4,792
Repairs and maintenance	16,741	4,096	15,109	3,714
Communication	16,695	4,085	17,063	4,194
License fees	5,875	1,437	27,642	6,795
Withholding tax	2,500	612	8,033	1,975
Litigation fees	1,788	437	7,956	1,956
Affiliation fees	1,423	348	8,043	1,977
Bank charges	-	-	23,436	5,761
Other expenses	16,712	4,089	179	45
	4,221,367	1,032,877	5,277,883	1,297,415

21. Cash and cash equivalents

	2022		2021	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Cash on hand (Note 4)	186,234	45,235	145,358	35,679
Deposits and placements with NBC ((Note 5 (ii))	480	117	560	138
Deposits and placements with other banks (with maturities of 3 months or less) (Note 6)	1,040,785	252,802	540,862	132,759
	1,227,499	298,154	686,780	168,576

Notes to the financial statements (continued)
for the year ended 31 December 2022

22. Related party transactions

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Related parties:				
Mr. Meas Thon				
Borrowing	248,667	60,843	366,660	90,133
Interest expense	22,887	5,600	26,796	6,587
	<u>271,554</u>	<u>66,443</u>	<u>393,456</u>	<u>96,720</u>
Mr. Prom Mary				
Borrowing	414,512	101,422	285,180	70,103
Interest expense	29,267	7,161	23,350	5,740
	<u>443,779</u>	<u>108,583</u>	<u>308,530</u>	<u>75,843</u>
Key management remuneration:				
Directors and key management personnel compensation	<u>486,205</u>	<u>118,963</u>	<u>445,397</u>	<u>109,488</u>

23. Lease commitments

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

	2022		2021	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.4)		(Note 2.4)
Within 1 year	1,515,627	368,139	1,546,327	379,560
2 to 5 years	1,600,009	388,635	676,659	166,092
	<u>3,115,636</u>	<u>756,774</u>	<u>2,222,986</u>	<u>545,652</u>

24. Tax 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 materially 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 different interpretations and the effects could be significant.

**Notes to the financial statements (continued)
for the year ended 31 December 2022**

25. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

25.1 Basis of aggregation

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

25.2 Cash and cash equivalents

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

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

25.3 Deposits and placements with banks

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

25.4 Deposits and placements with NBC

Deposits and placements with the NBC, including capital guarantee deposit are carried at amortised cost using the effective interest method in the statement of financial position.

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

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

25.5 Loan to customers

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

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

25.6 Other assets

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

**Notes to the financial statements (continued)
for the year ended 31 December 2022**

25. Significant accounting policies (continued)

25.7 Property and equipment

(i). Recognition and measurement

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

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

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

(ii). Subsequent costs

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

(iii). Depreciation

Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the individual assets as follows:

	Number of years
Buildings	5 years
Office equipment	2 years
Motor vehicles	2-5 years
IT and computer equipment	2 years

Land is not depreciated.

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

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

**Notes to the financial statements (continued)
for the year ended 31 December 2022**

25. Significant accounting policies (continued)

25.8 Intangible assets

Intangible assets consist of computer software license and related costs are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised over an estimate useful life of 10 years using a straight-line method. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

25.9 Impairment

Non-financial assets

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

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

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

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

25.10 Borrowings, deposits from customers and other liabilities

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

25.11 Provisions

Provisions are recognised in the statement of financial provision when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost.

**Notes to the financial statements (continued)
for the year ended 31 December 2022**

25. Significant accounting policies (continued)

25.12 Employee benefits

Severance payment

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

25.13 Dividends

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

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

25.14 Interest

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

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

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

25.15 Fee and commission income

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

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

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

**Notes to the financial statements (continued)
for the year ended 31 December 2022**

25. Significant accounting policies (continued)

25.16 Leases

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

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

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

25.17 Income tax

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

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

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

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

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

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

**Notes to the financial statements (continued)
for the year ended 31 December 2022**

25. Significant accounting policies (continued)

25.18 Financial assets and financial liabilities

(i). Recognition

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

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

(ii). Classification

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

(iii). Derecognition

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

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

(iv). Offsetting

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

(v). Amortised cost measurement

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

**Notes to the financial statements (continued)
for the year ended 31 December 2022**

25. Significant accounting policies (continued)

25.18 Financial assets and financial liabilities (continued)

(vi) Fair value measurement

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

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

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

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

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

(vii) Identification and measurement of impairment

Objective evidence of impairment

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

Notes to the financial statements (continued)
for the year ended 31 December 2022

25. Significant accounting policies (continued)

25.18 Financial assets and financial liabilities (continued)

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

Objective evidence that financial assets are impaired includes:

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

Individual and collective assessment

All individually significant assets are individually assessed for impairment.

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

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

A collective component of the total allowance is established for:

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

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

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

**Notes to the financial statements (continued)
for the year ended 31 December 2022**

25. Significant accounting policies (continued)

25.18 Financial assets and financial liabilities (continued)

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

Measurement

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

Reversal of impairment and write off

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

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

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

25.19 Regulatory reserve

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

Classification	Number of days past due	Allowance
Short-term loans (less than one year):		
Standard	0 – 14 days	1%
Special mention	15– 30 days	3%
Sub-standard	31 – 60 days	20%
Doubtful	61 – 90 days	50%
Loss	90 days or more	100%

**Notes to the financial statements (continued)
for the year ended 31 December 2022**

25. Significant accounting policies (continued)

25.19 Regulatory reserve (continued)

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

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

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

25.20 Related parties

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