



# Independent Auditor's Report

C.K.L.S Finance Plc.

Financial Statements

For the year ended 31 December 2022

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C.K.L.S Finance Plc.

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## Board of Director's report

The board of directors hereby submit the report and the audited financial statements of the C.K.L.S Finance Plc. ("the Company") for the financial year ended 31 December 2022.

### 1. Background and principal activities

C.K.L.S Finance Plc. ("the Company") is a public limited company incorporated in the Kingdom of Cambodia and registered with the Ministry of Commerce ("MOC") under registration No. 2000100564 dated 03 December 2021. On 27 September 2017, the Company obtained its license from the National Bank of Cambodia ("NBC") to operate as a rural credit operator in Cambodia under the law on banking and financial institutions.

The Company is principally engaged in all aspects of credit operator business and the provision of related financial services in Cambodia.

The Company's office is located No 204, Street N19, Snguon Pech village, Sangkat Kantaok, Khan Kamboul, Phnom Penh, Kingdom of Cambodia.

### 2 .Results of operations

The results of the Company's operations for the year ended 31 December 2022 and the state of its affairs as at that date are set out in the financial statements.

The board of directors do not recommend the payment of dividend in year ended 31 December 2022.

### 3.Board of Directors

The board of directors' members of the Company during the year and to the date of this report were as follows:

Name	Position
Mr. Svay Sokkhen	Chairman
Mr. Pichet Botha	Director
Mr. Pheng Pheap	Director
Mr. Yan Sovoeurn	Director
Mr. You Saosamphea	Director
Mr. Yan Penh	Director
Mr. Nouch Tharo	Director

### 4.Auditors

The financial statements for the year ended 31 December 2022 have been audited by Kreston Cambodia trading name under Cam Accounting & Tax Service Co., Ltd.

### 5.Board of directors' responsibility for the financial statements

The board of directors are responsible for the financial statements of the Company to be properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and cash flows for the financial year then ended. In the preparation of these financial statements, the directors are required to:

- adopt appropriate accounting policies in compliance with Cambodian International Financial Reporting Standards for Small and Medium-Sized Entities for Small and Medium-Sized Entities ("CIFRS for SMEs") which are supported by reasonable and appropriate judgments and estimates and then apply them consistently;
- comply with the disclosure requirements CIFRS for SMEs and guidelines of the National Bank of Cambodia 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. maintain adequate accounting records and an effective system of internal controls;
- iv. prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue its operations in the foreseeable future; and
- v. control and direct effectively the Company in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

The directors confirm that the Company has complied with the above requirements in preparing the financial statements of the Company.

## 6. Preparation of the financial statements

In the preparation of the financial statement, the directors have taken account of the following matters:

- i. all material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements;
- ii. adequate allowance for impairment losses on loan to customers and current and non-current assets, if required, has been made;
- iii. known bad debts had been written off, if any;
- iv. existing methods of valuation of assets or liabilities is not misleading or inappropriate;
- v. there are no known circumstances that would render any amount stated in the financial statements to be misleading;
- vi. 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 a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made;
- vii. the results of the operations of the Company during the financial years were not, in the opinion of the directors, substantially affected by any item, transactions or event of a material and unusual nature;
- viii. no contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the Company to meet its obligations when they fall due.

## 7. Approval of the Financial Statements

The directors hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Company as at 31 December 2022, its financial performance and cash flows for the financial year then ended in accordance with CIFRS for SMEs and guidelines of the National Bank of Cambodia ("NBC").

On behalf of Board of Directors



**Mr. Pheng Pheap**  
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia  
Date: 27 June 2023



## Independent auditor's report

To shareholders of **C.K.L.S Finance Plc.**

Kreston Cambodia is trading under name of  
**Cam Accounting & Tax Service Co., Ltd.**  
**Certified Public Accountants and Auditors**  
**Tax Agent License (GDT Member)**  
**Audit Firm License (KICPAA Member)**  
**Financial Institution Audit License (NBC Member)**

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### Qualified opinion

We have audited the financial statements of C.K.L.S Finance Plc., ("the Company") which comprise the statement of financial position as at 31 December 2022 of the Company, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 28.

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and 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) and guidelines of the National Bank of Cambodia ("NBC").

### Basis for qualified opinion

We cannot satisfy ourselves with retained earnings as at 31 December 2022 in the amounting to KHR'000 543,240 opening balances because we did not obtain sufficient evidence. As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded retained earnings and the elements making up the statement of profit & loss and other comprehensive income, statement of changes in equity and statement of cash flows.

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and other ethical responsibilities

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.

### Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' report and, in doing so, consider whether the Directors' report is materially inconsistent with the financial statements of the Company 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 the Directors' report, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of directors for the financial statements**

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with CIFRS for SMEs and guidelines of the National Bank of Cambodia. The directors are also responsible for such internal controls as the directors determine are 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 of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, 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 CISA 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 a part of an audit in accordance with CISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Company, 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 the directors.
- conclude on the appropriateness of the directors' 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



## Statement of financial position

	Notes	As at 31 December 2022 KHR'000
<b>Assets</b>		
Cash on hand	4	31,621
Deposits and placements with banks	5	51,602
Loans to customers	6	3,336,494
Property and equipment	8	38,518
Other assets	7	108,939
<b>Total assets</b>		<b>3,567,174</b>
<b>Liabilities</b>		
Amount due to related parties	20	1,845,636
Borrowings	10	397,442
Income tax payable	18(a)	67,633
Other liabilities	9	363,223
<b>Total liabilities</b>		<b>2,673,934</b>
<b>Equity</b>		
Share capital	11	350,000
Retained earnings		543,240
<b>Total equity</b>		<b>893,240</b>
<b>Total liabilities and equity</b>		<b>3,567,174</b>

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

## Statement of profit & loss and other comprehensive income

	Notes	For the year ended 31 December 2022 KHR'000
Interest income	12	479,365
Interest expense	13	(410,355)
<b>Net interest income</b>		<b>69,010</b>
Other operating income	14	1,787,721
Employee expenses	15	(818,822)
General and administrative expenses	16	(384,509)
Allowance for impairment losses	17	(370,515)
<b>Profit before taxes</b>		<b>282,885</b>
Income taxes	18(b)	(90,916)
<b>Profit for the year</b>		<b>191,969</b>
Other comprehensive income		-
<b>Total comprehensive income for the year</b>		<b>191,969</b>

## Statement of changes in equity

	Share capital KHR'000	Retained earnings KHR'000	Total Equity KHR'000
Balance at 01 January 2022	350,000	499,488	849,488
Profit for the year	-	191,969	191,969
Adjustment	-	(148,217)	(148,217)
<b>Balance at 31 December 2022</b>	<b>350,000</b>	<b>543,240</b>	<b>893,240</b>

## Statement of cash flows

	Notes	For the year ended 31 December 2022 KHR'000
<b>Cash flow from operating activities</b>		
Profit before taxes		282,885
<b>Adjustment for:</b>		
Depreciation	8	7,458
Allowance for impairment losses	17	370,515
<b>Operating profit before working capital changes</b>		<b>660,858</b>
<b>Changes in:</b>		
Loans to customers	6	(5,385,823)
Other assets	7	(83,391)
Other liabilities	9	96,415
<b>Cash used in operations</b>		<b>(4,711,941)</b>
Income taxes paid	18	(23,283)
<b>Net cash flow used in operating activities</b>		<b>(4,735,224)</b>
<b>Cash flow from investing activities</b>		
Acquisition of property & equipment	8	(44,214)
<b>Net cash flow used in investing activities</b>		<b>(44,214)</b>
<b>Cash flows from financing activities</b>		
Amount due to related parties	20	573,478
Borrowings	10	48,375
<b>Net cash generated from financing activities</b>		<b>621,853</b>
<b>Net changes in cash and cash equivalents*</b>		<b>(4,157,585)</b>
<b>Cash and cash equivalents at 01 January</b>		<b>290,839</b>
<b>Cash and cash equivalents at 31 December</b>		<b>83,744</b>

\*There were the following non-cash transaction, the adjustment was made to adjust retained earnings KHR'000 3,950,490.

### Cash and cash equivalents at 31 December 2022 reconciliation:

Cash on hand	31,621
Deposits and placements with banks	52,123
	<b>83,744</b>

# Notes to the financial statements

## 1. Background and principal activities

C.K.L.S Finance Plc. (“the Company”) is a public limited company incorporated in the Kingdom of Cambodia and registered with the Ministry of Commerce (“MOC”) under registration No. 2000100564 dated 03 December 2021. On 27 September 2021, the Company obtained its license from the National Bank of Cambodia (“NBC”) to operate as a rural credit operator in Cambodia under the law on banking and financial institutions.

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The Company’s office is located No 204, Street N19, Snguon Pech village, Sangkat Kantaok, Khan Kamboul, Phnom Penh, Kingdom of Cambodia.

## 2. Statement of compliance with CIFRS for SMEs

The financial statements of the Company have been prepared in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRS for SMEs”) and guidelines issued by NBC.

## 3. Significant accounting policies

### 3.1 New and amended standards and interpretations

#### 3.1.1 New standards adopted as at 01 January 2022

The new standards are described below which have become effective this year as follows:

- Amendments to IFRS 3 Reference to the Conceptual Framework.
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended use.
- Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract.
- Annual Improvements (2018-2020 Cycle):
  - Subsidiary as a First-time Adopter (Amendments to IFRS 1)
  - Fees in the ‘10 percent’ Test for Derecognition of Financial Liabilities (Amendments to IFRS 9)
  - Lease Incentives (Amendments to IFRS 16)
  - Taxation in Fair Value Measurements (Amendments to IAS 41).

The new standards are not expected to have significant impact on the financial statements in the current year and therefore these standards have not been adopted by the Company.

#### 3.1.2 Standards, amendments and interpretations to existing standards effective on or after 01 January 2023

Those standards, amendments and interpretations are not yet effective and have not been adopted early by the Company include:

- Amendments to IAS 1 Classification of Liabilities as Current or Non-Current.
- IFRS 17 Insurance Contracts.
- IAS 8 Definition of Accounting Estimates
- IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

#### 3.1.3 Critical accounting estimates & judgements

##### *Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

##### a. Impairment of loan and advances

The loss allowances for loan to customer are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting

appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period.

#### **b. Income taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

#### **c. The useful life of depreciable assets**

Management reviews its estimate of the useful life of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain property and equipment and software.

#### *Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Company's accounting policies which will have a significant effect on the amounts recognised in the financial statements

The principal accounting policies adopted in the preparation of the financial statements are set out below. These accounting policies have been consistently applied by the Company during the year.

### **3.2 Functional and foreign currencies**

#### **3.2.1 Functional and presentation currency**

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates as the functional currency and presentation currency.

The national currency of Cambodia is the Khmer Riel ("KHR"). Management has determined the KHR to be the Company's currency for measurement and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

#### **3.3 Property, plant and equipment**

All items of property, plant and equipment are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset and other cost directly attributable to bringing the asset to working condition for its intended use. Freehold land is stated at cost less impairment losses, if any and is not depreciated.

Subsequent to initial recognition, property and equipment are stated at cost less accumulated depreciation and any impairment losses.

#### **Depreciation**

Depreciation is calculated using the straight-line method at the annual rates as follows:

Office renovation	20%
Furniture and fixtures	25-50%
Computer equipment	33-50%
Office equipment	33%

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the terms of property and equipment.

An item of property, plant, and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of comprehensive income in the year which the asset is disposed of.

### **Impairment testing of property and equipment**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, Management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by Management.

All assets are periodically reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge would be reversed if the cash-generating unit's recoverable amount exceeded its carrying amount.

### **3.4 Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks which are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

### **3.5 Deposits and placements with National Bank of Cambodia**

Deposits and placements with the NBC, including statutory deposits, are stated at cost. A statutory deposit is maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and is determined by defined percentages of minimum share capital as required by the NBC and are not available to finance the Company day-to-day operations. Hence, statutory deposit is not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

### **3.6 Deposits and placements with banks**

Deposits and placement with banks are stated at cost. The Company provides allowance for impairment losses for placements with banks at 1%, in accordance with Prakas No. B7-017-344 doted 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions.

### **3.7 Loans to customers**

Loans to customers are recognized initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Loans to customers are stated at the amount of principal plus accrued interest less allowance for bad and doubtful loans.

Loans are written off to profit or loss when the loans are provisioned in full and remain unpaid after maturity date or when the certainty of being uncollectable is proven. Loans written-off ore token out of the outstanding loan portfolio and deducted from the allowance for bad and doubtful loans.

Recoveries of loans previously written-off are disclosed as other operating income in of profit or loss.

### **3.8 Other assets**

Other assets are carried at cost. An estimate is made for doubtful receivables based on a review of outstanding amounts at the reporting date.

### **3.9 Impairment of non-financial assets**

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, Management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of

those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by Management.

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit) to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

All assets are periodically reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge would be reversed if the cash-generating unit's recoverable amount exceeded its carrying amount.

### **3.10 Borrowings and other liabilities**

Borrowings and other liabilities are recognised initially at the transaction price (including transaction costs) and subsequently measured at amortised cost using the effective interest method.

### **3.11 Equity reserves and retained earnings**

Share capital represents the nominal value of shares that have been issued. Retained earnings include all current and prior years' profits.

### **3.12 Regulatory provision**

The Company follows the credit classification and provisioning for financial institutions in accordance with Prakas No.7-017-344, dated 1 December 2017 as issued by the NBC providing guidance on credit classification and regulatory provisioning for financial institutions in Cambodia, as summarised below:

<b>Classification</b>	<b>Number of days past due</b>	<b>Provision rate</b>
<b>Short term loans (less than or equal one year):</b>		
Normal/Standard	0 to 14 days	1%
Special mention	15 days to 30 days	3%
Substandard	31 days to 60 days	20%
Doubtful	61 days to 90 days	50%
Loss	From 91 days	100%
<b>Long term loans (more than one year):</b>		
Normal/Standard	0 to 29 days	1%
Special mention	30 days to 89 days	3%
Substandard	90 days to 179 days	20%
Doubtful	180 days to 359 days	50%
Loss	From 360 days	100%

Article 73 of the Prakas on Credit Risk Grading and Impairment Provisioning requires the Company to compare the provision calculated in accordance with CIFRS for SMEs and Prakas No 7-017-344 and, accordingly:

- a. In case the regulatory provision calculated in accordance with the said Prakas is lower than the provision calculated in accordance with CIFRS for SMEs, the Company shall record the provision calculated in accordance with CIFRS for SMEs.
- b. In case the regulatory provision calculated in accordance with the said Prakas is higher than the provision calculated in accordance with CIFRS for SMEs, the Company shall record the provision calculated in accordance with CIFRS for SMEs and transfer the difference, which represents the additional provision required, from retained earnings or accumulated losses account into regulatory reserve in the equity section of the statement or financial position.

### **3.13 Income and expense recognition**

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.

Interest income and expense presented in profit or loss include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

### **3.14 Fees and commission income and expense**

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. Loan processing fee income are recognised as income over the term period of the loan to customer.

Unamortised loan fees are recognized as unearned income.

### **3.15 Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases are recognised in profit or loss 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.

### **3.16 Income taxes**

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are generally provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

### 3.17 Employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

### 3.18 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Parties are considered to be related to the Company if:

- directly or indirectly, a party controls, is controlled by, or is under common control with the Company; has an interest in the Company that gives it significant influence over the Company; or has joint control over the Company;
- a party is a jointly-controlled entity;
- a party is an associate;
- a party is a member of the key management personnel of the Company; or
- a party is a close family member of the above categories.

## 4. Cash on hand

	As at 31 December 2022 KHR'000
US Dollars	25,830
Khmer Riels	5,791
	<u>31,621</u>

## 5. Deposits and placements with banks

	As at 31 December 2022 KHR'000
<b>In Cambodia:</b>	
Current accounts	52,123
	<u>52,123</u>
Less: Allowance for impairment losses	(521)
	<u>51,602</u>

Movements in the impairment loss allowance are as follows:

	As at 31 December 2022 KHR'000
At 01 January	2,299
Net remeasurement of allowances	(1,778)
	<u>521</u>

The above deposit and placements amount are analyses as follow:

	As at 31 December 2022 KHR'000
By currency:	
Khmer Riels	20,821
US Dollars	31,302
	<u>52,123</u>

## 6. Loans to customers

	As at 31 December 2022 KHR'000
Short term	653,929
Long term	3,330,388
Gross loans at amortised cost	<u>3,984,317</u>
Less: Allowance for impairment losses	(647,823)
Net loans and advances	<u>3,336,494</u>

Movements in the impairment loss allowance are as follows:

At 01 January	277,746
Net remeasurement of allowances	370,077
At 31 December	<u>647,823</u>

The Loans and advances are analysed as follows:

	As at 31 December 2022 KHR'000
<b>a) By maturity:</b>	
Within 1 month	653,929
1 to 5 years	3,330,388
	<u>3,984,317</u>

	As at 31 December 2022 KHR'000
<b>b) By industry:</b>	
Household/family	2,353,492
Trade and commerce	1,107,529
Service	211,893
Agriculture	79,125
Construction	30,600
Transportation	17,263
Others	184,415
	<u>3,984,317</u>

	As at 31 December 2022 KHR'000
<b>c) By currency:</b>	
US Dollars	3,195,801
Khmer Riels	788,516
	<u>3,984,317</u>

	As at 31 December 2022 KHR'000
<b>d) By residency status:</b>	
Residents	3,984,317
	<u>3,984,317</u>

	As at 31 December 2022 KHR'000
<b>e) By performance and security</b>	
<b>Standard loans:</b>	
Secured	2,657,570
Unsecured	502,424
<b>Special mention:</b>	
Secured	127,380
Unsecured	22,099
<b>Substandard loans:</b>	
Secured	79,109
Unsecured	20,126
<b>Doubtful loans:</b>	
Secured	78,822
Unsecured	32,070
<b>Loss loans:</b>	
Secured	190,505
Unsecured	274,212
	<u>3,984,317</u>

	As at 31 December 2022 KHR'000
<b>f) By relationship:</b>	
External customers	3,984,317
	<u>3,984,317</u>

	As at 31 December 2022
<b>g) By interest rate (per annum):</b>	
Individual loan	18%
	<u>18%</u>

## 7. Other assets

	As at 31 December 2022 KHR'000
Receivable from staff	60,342
Accrued interest receivables	36,057
Prepayments	12,540
	<u>108,939</u>

## 8. Property and equipment

Cost	Office renovation KHR'000	Furniture and fixtures KHR'000	Office equipment KHR'000	Computer equipment KHR'000	Total KHR'000
At 01 January 2022	-	840	-	1,140	1,980
Additions	823	19,292	2,059	22,040	44,214
At 31 December 2022	823	20,132	2,059	23,180	46,194
<b>Accumulated depreciation</b>					
At 01 January 2022	-	55	69	94	218
Depreciation	123	3,224	560	3,551	7,458
At 31 December 2022	123	3,279	629	3,645	7,676
<b>Carrying amount</b>					
At 31 December 2022	700	16,853	1,430	19,535	38,518

## 9. Other liabilities

	As at 31 December 2022 KHR'000
Collection from customer in advance	262,595
Unearned income	70,326
Accrued professional fee	22,644
Other tax payables	6,394
Other payables	1,264
	<u>363,223</u>

## 10. Borrowings

	As at 31 December 2022 KHR'000
Camma Microfinance Limited*	397,442
	<u>397,442</u>

\*The borrowing from Camma Microfinance Limited, bear annual interest at 10.2% and repayable on 19 July 2032.

## 11. Share capital

As at 31 December 2022, the Company's shareholders and their respective interest are as follows:

	As at 31 December 2022		
	% Of ownership	Number of shares	KHR'000
Mr. Svay Sokkhen	14.29%	1,250	50,000
Mr. Pichet Botha	14.29%	1,250	50,000
Mr. Pheng Pheap	14.29%	1,250	50,000
Mr. Yan Sovoeurn	14.29%	1,250	50,000
Mr. You Saosampea	14.29%	1,250	50,000
Mr. Yan Penh	14.29%	1,250	50,000
Mr. Nouch Tharo	14.29%	1,250	50,000
	<u>100%</u>	<u>8,750</u>	<u>350,000</u>

## 12. Interest income

	For the year ended 31 December 2022 KHR'000
Loan to customers	479,240
Deposits and placements with banks	125
	<u>479,365</u>

## 13. Interest expense

	For the year ended 31 December 2022 KHR'000
Related parties	393,892
Non-related parties	16,463
	<u>410,355</u>

## 14. Other operating income

	For the year ended 31 December 2022 KHR'000
Fee and commission on loans	1,709,825
Penalty income	51,219
Other operating income	26,677
	<u>1,787,721</u>

## 15. Employee expenses

	For the year ended 31 December 2022 KHR'000
Salary and bonus expense	806,898
Incentive expenses	11,924
	<u>818,822</u>

## 16. General and administrative expenses

	For the year ended 31 December 2022 KHR'000
Rental expense	72,737
Fuel and gasoline expenses	67,818
Professional fee	53,814
Entertainment expense	42,047
Repaired and maintenance expense	39,089
Office supplies	22,879
Membership fee	21,051
Communication expense	18,059
Utilities expense	13,245
Loss on currency exchange rate	11,024
Transportation expense	8,711
Depreciation expense	7,458
License fee	2,607
Security expense	480
Other expenses	3,490
	<u>384,509</u>

## 17. Allowance for impairment losses

	For the year ended 31 December 2022 KHR'000
Loans to customers	372,293
Deposits and placements with banks	(1,778)
	<u>370,515</u>

## 18. Income taxes

### a) Income tax payable

	For the year ended 31 December 2022 KHR'000
<b>At 01 January</b>	-
Current income tax expense	90,916
Income tax paid during the year	(23,283)
	<u>67,633</u>

### b) Income tax expense

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

A reconciliation of income tax expense applicable to the Profit before tax at the corporate tax rate to income tax expense at the effective tax of the Company is as follows:

	For the year ended 31 December 2022 KHR'000
Profit before tax	282,885
Add: Non-deductible expenses	472,713
Less: Deductible tax expense	(301,458)
Other tax reconciled	440
Estimated taxable income	<u>454,580</u>
Income tax at 20% (A)	90,916
Minimum tax at 1% of revenue (B)	21,891
Estimated current income tax expense (Higher of A or B)	<u>90,916</u>

## 19. Tax contingencies

The Company's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations for many types of transactions is susceptible to varying interpretations, the amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

## 20. Related parties' balance and transactions

a. The following balances are outstanding with shareholders:

	As at 31 December 2022
<b>Borrowings</b>	<b>KHR'000</b>
Mr. Svay Sokkhen	228,255
Mr. Pichet Botha	305,308
Mr. Pheng Pheap	167,295
Mr. Yan Sovoeurn	166,500
Mr. You Saosampea	166,500
Mr. Nouch Tharo	390,010
Mr. Yan Penh	236,500
	<u>1,660,368</u>

The borrowing from shareholders are interest bearing at rates from 0-24% per annum and repayable on maturity date.

b. The following balances are outstanding with related parties:

	As at 31 December 2022
<b>Borrowings</b>	<b>KHR'000</b>
Mrs. Yan Vanna	82,340
Mr. Cheam Sunrattana	20,585
Mr. Em Mary	82,343
	<u>185,268</u>

The borrowing from related parties are interest bearing at rates from 18-24% per annum and repayable on maturity date.

The Company had the following transactions with related parties during the financial year:

	As at 31 December 2022
<b>Shareholder loans</b>	<b>KHR'000</b>
<b>Mr. Svay Sokkhen</b>	
At 01 January	104,066
Proceed of loan	164,261
Repayment	(41,170)
Currency translation differences	1,098
At 31 December	<u>228,255</u>

	As at 31 December 2022
<b>Shareholder loans</b>	<b>KHR'000</b>
<b>Mr. Pichet Botha</b>	
At 01 January	189,620
Proceed of loan	113,687
Repayment	-
Currency translation differences	2,001
At 31 December	<u>305,308</u>

	As at 31 December 2022
<b>Shareholder loans</b>	<b>KHR'000</b>
<b>Mr. Pheng Pheap</b>	
At 01 January	104,066
Proceed of loan	107,418
Repayment	(45,287)
Currency translation differences	1,098
At 31 December	<u>167,295</u>

	As at 31 December 2022
<b>Shareholder loans</b>	KHR'000
<b>Mr. Yan Sovoeurn</b>	144,806
At 01 January	61,336
Proceed of loan	(41,170)
Repayment	1,528
Currency translation differences	<u>166,500</u>
<b>At 31 December</b>	<b>166,500</b>

	As at 31 December 2022
<b>Shareholder loans</b>	KHR'000
<b>Mr. You Saosampea</b>	KHR'000
At 01 January	104,066
Proceed of loan	61,336
Repayment	-
Currency translation differences	1,098
<b>At 31 December</b>	<u>166,500</u>

	As at 31 December 2022
<b>Shareholder loans</b>	KHR'000
<b>Mr. Nouch Tharo</b>	KHR'000
At 01 January	326,286
Proceed of loan	61,336
Repayment	-
Currency translation differences	2,388
<b>At 31 December</b>	<u>390,010</u>

	As at 31 December 2022
<b>Shareholder loans</b>	KHR'000
<b>Mr. Yan Penh</b>	KHR'000
At 01 January	124,066
Proceed of loan	339,244
Repayment	(228,120)
Currency translation differences	1,310
<b>At 31 December</b>	<u>236,500</u>

	As at 31 December 2022
<b>Related party loans</b>	KHR'000
<b>Mrs. Yan Vanna</b>	KHR'000
At 01 January	175,182
Proceed of loan	-
Repayment	(94,691)
Currency translation differences	1,849
<b>At 31 December</b>	<u>82,340</u>

	As at 31 December 2022
<b>Related party loans</b>	KHR'000
<b>Mrs. Em mary</b>	KHR'000
At 01 January	-
Proceed of loan	82,343
Repayment	-
Currency translation differences	-
<b>At 31 December</b>	<u>82,343</u>

	As at 31 December 2022 KHR'000
<b>Related party loans</b>	
<i>Mr. Cheam Sunrattana</i>	
At 01 January	-
Proceed of loan	20,585
Repayment	-
Currency translation differences	-
<b>At 31 December</b>	<b>20,585</b>

## 21. Lease commitment

	As at 31 December 2022 KHR'000
Within one year	51,874
Two to five years	160,069
	<b>211,943</b>

## 22. Categories of financial instruments

	As at 31 December 2022 KHR'000
<b>Financial assets</b>	
<u>Amortised Cost</u>	
Cash on hand	31,621
Deposits and placements with banks	52,123
Loans to customers	3,984,317
Other assets*	96,399
	<b>4,164,460</b>
<b>Financial liabilities</b>	
<u>Amortised Cost</u>	
Amount due to related parties	1,845,636
Borrowings	397,442
Other liabilities**	292,897
	<b>2,535,975</b>

\*Excludes prepayment

\*\*Excludes unearned income

## 23. Financial risk management

The guidelines and policies adopted by the Company to manage the risks that arise in the conduct of their business activities are as follows:

### a) Credit risks

Credit risk is the potential loss of revenue and principal losses in the form of specific allowances as a result of defaults by the borrowers or counterparties through its lending and investing activities. The primary exposure to credit risk arises through its loans to customers. The amount of credit exposure in this regard is represented by the carrying Amount of the assets on the statement of financial position. The lending activities are guided by the Company's credit policy to ensure that the overall objectives in the area of lending are archived; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes and procedures implemented to ensure compliance with NBC Guidelines.

The company holds collateral against loans to customers in the form of mortgage interests over property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are updated except when a loan is individually assessed as doubtful.

**i. Credit risk measurement**

The company assesses the probability of default of individual counterparties by focusing on a borrowers' forecasted profit and cash flows. The credit committee is responsible for approving loans to customers.

**ii. Risk limit control and mitigation policies**

The company manage limits and controls the concentration of credit risk whenever it is identified.

The company employs a range of policies and practices to mitigate credit risks. The most traditional of these is the taking of security in the form of collateral for loan to customers, which is a common practice, the company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation, The principal collateral types that the company accepts to secure for loans to customers are:

- Mortgages over residential properties (land, building and other properties); and
- Charges over business assets such as land and buildings.

**iii. Exposure to credit risk with regards to loans to customers**

	As at 31 December 2022 KHR'000
<b>Loan to customers</b>	
Neither past due nor impaired	3,159,994
Past due but not impaired	359,606
Individually impaired	464,717
	3,984,317

**Neither past due nor impaired**

Neither past due nor impaired loans to customers are good quality loans to customers for which there is no experience of default. These loans are supported by collaterals and management views that likelihood of default is relatively low.

**Past due but not impaired loans**

Past due but not impaired loans to customers are those for which contractual interest or principal payments that are past due less than 30 days for short-term loans and 90 days for long-terms loans, unless other information is available to indicate otherwise.

**Impaired loans**

Individually impaired loans to customers are loans to customers for which the Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans to customers.

In compliance with NBC Guidelines, an allowance for doubtful loans to customers is made for loans to customers with payment overdue more than 30 days for short-term loans and 89 days for long-term loans. A minimum level of specific allowance for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty.

**b) Operational risk**

The operational risk losses which would result from inadequate or failed internal processes, people and Systems or from external factors is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the Management.

The operational risk management entail the establishment of clear organisational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining System parameters controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its micro-finance business.

**c) Market risk**

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

**i. Foreign currency exchange risk**

The Company revenue is principally earned in USD. The Company expenditure is principally paid in USD. Monetary assets and liability are significantly dominated in USD. The Company does not therefore have significant exposure to foreign currency risk.

**ii. Interest rate risk**

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rates and shifts in the composition of the assets and liabilities. The exposure to interest rate risk relate primarily to its loans.

Since the majority of financial assets are not subject to significant change with the market rates, the Company does not use derivative financial instruments to hedge such risk.

The table below summarises the Company's exposure to interest rate risks. It includes the company's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	>1-12 months KHR'000	>1-5 years KHR'000	Over 5 years KHR'000	Non-interest bearing KHR'000	Total KHR'000	Interest rates %
<b>Financial assets</b>						
Cash on hand	-	-	-	31,621	31,621	-
Deposits and placements with banks	-	-	-	52,123	52,123	0-7%
Loans to customers	10,995	3,973,322	-	-	3,984,317	18%
Other assets*	-	-	-	96,399	96,399	
<b>Total financial assets</b>	<b>10,995</b>	<b>3,973,322</b>	<b>-</b>	<b>180,143</b>	<b>4,164,460</b>	
<b>Financial liabilities</b>						
Amount due to related parties	-	1,845,636	-	-	1,845,636	18-24%
Borrowing from shareholder	-	397,442	-	-	397,442	10.20%
Other liabilities**	-	-	-	292,897	292,897	
<b>Total financial liabilities</b>	<b>-</b>	<b>2,243,078</b>	<b>-</b>	<b>292,897</b>	<b>2,535,975</b>	
<b>Total interest pricing gap</b>	<b>10,995</b>	<b>1,730,244</b>	<b>-</b>	<b>(112,754)</b>	<b>1,628,485</b>	

\*Excludes prepayment

\*\*Excludes unearned income

#### d) Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the Management of the Company closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

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The following table provide an analysis of financial assets and liabilities of the Company into relevant maturity grouping, including instalments due:

2022	>1-12 months KHR'000	>1-5 years KHR'000	Over 5 years KHR'000	No fixed maturity date KHR'000	Total KHR'000
<b>Financial asset</b>					
Cash on hand	-	-	-	31,621	31,621
Deposits and placements with banks	-	-	-	52,123	52,123
Loans to customers	10,995	3,973,322	-	-	3,984,317
Other assets*	-	-	-	96,399	96,399
<b>Total financial assets</b>	<b>10,995</b>	<b>3,973,322</b>	<b>-</b>	<b>180,143</b>	<b>4,164,460</b>
<b>Financial liabilities</b>					
Amount due to related parties	-	1,845,636	-	-	1,845,636
Borrowings	-	397,442	-	-	397,442
Other liabilities**	-	-	-	292,897	292,897
<b>Total financial liabilities</b>	<b>-</b>	<b>2,243,078</b>	<b>-</b>	<b>292,897</b>	<b>2,535,975</b>
<b>Net liquidity surplus (gap)</b>	<b>10,995</b>	<b>1,730,244</b>	<b>-</b>	<b>(112,754)</b>	<b>1,628,485</b>

\*Excludes prepayment

\*\*Excludes unearned income

**e) Capital management**

**i. Regulatory capital**

The Company's lead regulator, the NBC, sets and monitors capital requirements for the Company as a whole.

The Company's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Company has complied with all externally imposed capital requirements throughout the year.

**ii. Capital allocation**

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

**24. Events after the reporting date**

No adjusting or significant non-adjusting events have occurred between the reporting date and date of authorisation of these financial statements.

**25. Authorisation of the financial statements**

The financial statements for the year ended 31 December 2022 were authorised for issue by the directors on 27 June 2023.