



Independent Auditor's Report

C.K.L.S Finance Plc.

Financial Statements

For the year ended 31 December 2023

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C.K.L.S FINANCE PLC

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Board of Directors' 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 2023.

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 credit operator in Cambodia.

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 2023 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 2023

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 Botra	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 2023 have been audited by Kreston Cambodia trading name under Cam Accounting & Tax Service Co., Ltd.

5. Board of director's 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 2023 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;
- 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 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 2023, 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").



Mr. Pheng Pheap
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
Date: 28 June 2024

Independent auditor's report

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

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 2023 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 32.

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 2023, 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

Because of the impact of qualification matter on the retained earnings on the financial statements as at 31 December 2022, it was difficult for us to ascertain if any adjustments needed to be made regarding recorded or unrecorded retained earnings as at 01 January 2023, amounting to KHR'000 543,240. 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 on 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 attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

On behalf of Cam Accounting & Tax Service Co., Ltd.

Certified Public Accountants and Auditors



Keat Heng, CPA, ACCA
Audit Partner

Phnom Penh, Kingdom of Cambodia

Date: 28 June 2024

Statement of financial position

As at 31 December 2023

	Notes	2023 KHR'000	2022 KHR'000
Assets			
Cash on hand	4	13,016	31,621
Deposits and placements with NBC	5	28,000	-
Deposits and placements with banks	6	85,642	51,602
Loans to customers	7	3,843,525	3,372,551
Property and equipment	8	71,260	38,518
Other assets	9	73,997	72,882
Total assets		4,115,440	3,567,174
Liabilities			
Amount due to related parties	22	2,105,121	1,845,636
Borrowings	11	468,885	397,442
Income tax payable	20 (a)	15,288	67,633
Other liabilities	10	352,344	363,223
Total liabilities		2,941,638	2,673,934
Equity			
Share capital	12	350,000	350,000
Retained earnings		601,787	543,240
Regulatory reserve	13	222,015	-
Total equity		1,173,802	893,240
Total liabilities and equity		4,115,440	3,567,174

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

Statement of profit & loss and other comprehensive income

For the year ended 31 December 2023

	Notes	2023 KHR'000	2022 KHR'000
Interest income	14	2,604,403	479,365
Interest expense	15	(547,064)	(410,355)
Net interest income		2,057,339	69,010
Other operating income	16	92,294	1,787,721
Employee expenses	17	(1,090,149)	(818,822)
General and administrative expenses	18	(499,513)	(384,509)
Allowance for impairment losses	19	(231,274)	(370,515)
Profit before taxes		328,697	282,885
Income taxes	20 (b)	(42,140)	(90,916)
Profit for the year		286,557	191,969
Other comprehensive income		-	-
Total comprehensive income for the year		286,557	191,969

Statement of changes in equity

For the year ended 31 December 2023

	Share capital KHR'000	Regulatory reserve KHR'000	Retained earnings KHR'000	Total Equity KHR'000
At 01 January 2022	350,000	-	499,488	849,488
Profit for the year	-	-	191,969	191,969
Adjustment	-	-	(148,217)	(148,217)
Balance at 31 December 2022	350,000	-	543,240	893,240
Profit for the year	-	-	286,557	286,557
Transfer	-	222,015	(222,015)	-
Adjustment	-	-	(5,995)	(5,995)
Balance at 31 December 2023	350,000	222,015	601,787	1,173,802

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

Statement of cash flows

For the year ended 31 December 2023

	Notes	2023 KHR'000	2022 KHR'000
Cash flow from operating activities			
Profit before taxes		328,697	282,885
Adjustment for:			
Depreciation	8	18,679	7,458
Allowance for impairment losses	19	231,274	370,515
Operating profit before working capital changes		578,650	660,858
Changes in:			
Deposits and placements with NBC	5	(28,000)	-
Loans to customers	7	(701,904)	(5,385,823)
Other assets	9	(1,115)	(83,391)
Other liabilities	10	(10,879)	96,415
Cash used in operations		(163,248)	(4,711,941)
Income taxes paid	20 (b)	(94,485)	(23,283)
Net cash flow used in operating activities		(257,733)	(4,735,224)
Cash flow from investing activities			
Acquisition of property & equipment	8	(51,421)	(44,214)
Net cash flow used in investing activities		(51,421)	(44,214)
Cash flows from financing activities			
Amount due to related parties	22	259,485	573,478
Borrowings	11	71,443	48,375
Net cash generated from financing activities		330,928	621,853
Net changes in cash and cash equivalents*		21,774	(4,157,585)
Cash and cash equivalents at 01 January		83,744	290,839
Cash and cash equivalents at 31 December		99,523	83,744

Cash and cash equivalents at 31 December 2023 reconciliation:

	2023 KHR'000	2022 KHR'000
Cash on hand	13,016	31,621
Deposits and placements with banks	86,507	52,123
	99,523	83,744

*There were non-cash transaction adjustments which affected the retained earnings amounting to KHR'000 5,995 and KHR'000 3,950,490 in 2023 and 2022 respectively because of wrong classifications and recordings.

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.

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

The Company's office is located at 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 Standards and interpretations that are effective for the current financial year

The Company adopted all accounting standards and interpretations as at 31 December 2023. The amended accounting standards assessed to be applicable and have no material impact to the company as the following:

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

3.1.2 New accounting standards for application in future periods

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

- Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1).
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16.

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 to customers

The loss allowances for loan to customers 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 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 and equipment

All items of property 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 charged to profit or loss and is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

Items	Rate
Leasehold Improvement	5-20% (Straight-line method)
Furniture and fixtures	20-67% (Straight-line method)
Office equipment	20-67% (Straight-line method)
Computer equipment	20-67% (Straight-line method)
Vehicles	20% (Straight-line method)

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 Financial instruments initial recognition, subsequent measurement, and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

A financial instrument is recognised initially at the transaction price, including transaction costs. For a financial asset or a financial liability that is subsequently measured at fair value through profit or loss, transaction costs are recognised in profit or loss when incurred.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

An arrangement constitutes a financing transaction if payment is deferred beyond normal business terms. Under a financing transaction, a financial asset or a financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument as determined at initial recognition. Any fair value adjustment upon the initial recognition is recognised in profit or loss immediately as a gain or loss if that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets; otherwise, the difference is charged to profit or loss on a straight-line method over the contractual terms of the financial instrument.

Subsequent measurement

Debt instruments that are classified as current assets or current liabilities are measured at the undiscounted amount of cash or other consideration expected to be paid or received unless the arrangement constitutes, in effect, a financing arrangement. Other debt instruments are measured at amortised cost using the effective interest method.

Other than the above, all financial assets and financial liabilities are measured at fair value with changes in fair value recognized in profit or loss.

Impairment financial assets

All financial assets (except for financial assets measured at fair value through profit or loss) are assessed for impairment at each reporting date when there is an objective evidence of impairment.

For a financial asset measured at amortised cost, the impairment loss is the difference between the financial asset's carrying amount and the present value of estimated cash flows discounted at the financial asset's original effective rate.

For a financial asset measured at cost less impairment, the impairment loss is the difference between the financial asset's carrying amount and the best estimate of the amount that would be received for the financial asset if it were to be sold at the reporting date.

All impairment losses are recognised in profit or loss immediately.

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 loss was recognised, the previous

recognised impairment loss is reversed to the extent that the carrying amount of the financial asset does not exceed its amortised cost at the reversal date. The amount of impairment reversal is recognised in profit or loss.

3.5 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.

3.6 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.

3.7 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% (2022: 1%), in accordance with Prakas No. B7-017-344 dated 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.

3.8 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 are 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.

3.9 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.

3.10 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.

3.11 Other liabilities

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

3.12 Provisions, contingent liabilities, and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

Possible inflows of economic benefits to the Company that does not yet meet the recognition criteria of an asset are considered contingent assets.

3.13 Borrowings

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

3.14 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.

3.15 Regulatory Provision

The Company follows the credit classification and provisioning for financial institutions in accordance with Prakas No. B7-017-344, 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:

Classification	Number of days past due	Provision rate
Short term loans (less than or equal one year):		
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%

Long term loans (more than one year):

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 B7-017-344 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.

3.16 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.

3.17 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.

3.18 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.

3.19 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.

3.20 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.

3.21 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.

4. Cash on hand

	2023 KHR'000	2022 KHR'000
US Dollars	3,779	25,830
Khmer Riels	9,237	5,791
	<u>13,016</u>	<u>31,621</u>

5. Deposits and placements with NBC

	2023 KHR'000	2022 KHR'000
Capital guarantee deposit*	28,000	-
	<u>28,000</u>	<u>-</u>

(*) The capital guarantee deposit is maintained with NBC in compliance with Prakas No B7-00-06 on the Licensing of finance Institutions, the amount of which are determined at 5% of the company's registered share capital. The guarantee deposit is refundable when the Company voluntarily liquidates and has no deposit liabilities. The capital guarantee deposit earns no interest. In 2023, the company proposed to increase its capital by KHR'000 210,000 to the NBC, which requires a capital guarantee deposit of KHR'000 28,000. The company is currently awaiting approval from the NBC.

6. Deposits and placements with banks

	2023 KHR'000	2022 KHR'000
In Cambodia:		
Saving accounts	86,507	52,123
Current accounts	-	-
	<u>86,507</u>	<u>52,123</u>
Less: Allowance for impairment losses	(865)	(521)
	<u>85,642</u>	<u>51,602</u>

Movements in the impairment loss allowance are as follows:

	2023 KHR'000	2022 KHR'000
In Cambodia:		
At 01 January	521	2,299
Remeasurement of allowance for impairment losses	344	(1,778)
Translation differences	-	-
At 31 December	<u>865</u>	<u>521</u>

The above deposit and placements amount are analyses as follow:

	2023 KHR'000	2022 KHR'000
By currency:		
US Dollars	30,399	20,821
Khmer Riels	56,108	31,302
	<u>86,507</u>	<u>52,123</u>

7. Loans to customers

	2023 KHR'000	2022 KHR'000
Short term	836,359	653,929
Long term	3,592,094	3,330,388
Gross loans at amortised cost	<u>4,428,453</u>	<u>3,984,317</u>
Accrued interest receivable	<u>167,679</u>	<u>36,057</u>
Less: Allowance for impairment losses	(752,607)	(647,823)
Net loans to customers at amortised cost	<u>3,843,525</u>	<u>3,372,551</u>

Movements in the impairment loss allowance are as follows:

	2023 KHR'000	2022 KHR'000
At 01 January	647,823	277,746
Remeasurement of allowance for impairment losses	230,930	370,077
Written off loan	(126,146)	-
Translation differences	-	-
At 31 December	<u>752,607</u>	<u>647,823</u>

The Loans to customers are analysed as follows:

	2023 KHR'000	2022 KHR'000
a) By maturity:		
Within 1 year	836,359	653,929
1 to 5 years	3,592,094	3,330,388
	4,428,453	3,984,317
	2023 KHR'000	2022 KHR'000
b) By industry:		
Household/family	2,456,905	2,353,492
Trade and commerce	1,292,463	1,107,529
Agriculture	242,062	79,125
Service	198,193	211,893
Transportation	25,988	17,263
Construction	14,073	30,600
Others	198,769	184,415
	4,428,453	3,984,317
	2023 KHR'000	2022 KHR'000
c) By currency:		
US Dollars	3,451,126	3,195,801
Khmer Riels	977,327	788,516
	4,428,453	3,984,317
	2023 KHR'000	2022 KHR'000
d) By residency status:		
Residents	4,428,453	3,984,317
	4,428,453	3,984,317
	2023 KHR'000	2022 KHR'000
e) By relationship:		
External customers	4,428,453	3,984,317
	4,428,453	3,984,317
	2023 KHR'000	2022 KHR'000
f) By performance and security		
Secured	3,459,144	3,133,386
Unsecured	969,309	850,931
	4,428,453	3,984,317
	2023	2022
g) By interest rate (per annum):		
Individual	18%	18%

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8. Property and equipment

Cost	Leasehold Improvement KHR'000	Furniture and fixtures KHR'000	Office equipment KHR'000	Computer equipment KHR'000	Vehicles KHR'000	Total KHR'000
At 01 January 2023	823	20,132	2,059	23,180	-	46,194
Addition	3,860	28,770	915	10,114	7,762	51,421
At 31 December 2023	4,683	48,902	2,974	33,294	7,762	97,615

Accumulated depreciation

At 01 January 2023	123	3,279	629	3,645	-	7,676
Depreciation	362	8,669	943	7,661	1,044	18,679
At 31 December 2023	485	11,948	1,572	11,306	1,044	26,355

Carrying amount

At 31 December 2023	4,198	36,954	1,402	21,988	6,718	71,260
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Cost

At 01 January 2022	-	840	-	1,140	-	1,980
Addition	823	19,292	2,059	22,040	-	44,214
At 31 December 2022	823	20,132	2,059	23,180	-	46,194

Accumulated depreciation

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

Carrying amount

At 31 December 2022	700	16,853	1,430	19,535	-	38,518
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9. Other assets

	2023 KHR'000	2022 KHR'000
Other receivables	55,414	60,342
Prepayments	18,583	12,540
	<u>73,997</u>	<u>72,882</u>

10. Other liabilities

	2023 KHR'000	2022 KHR'000
Collection from customers	276,060	262,595
Accrued professional fee	24,714	22,644
Interest payables	14,077	-
Other tax payables	12,774	6,394
Other payables	24,719	1,264
Unearned income	-	70,326
	<u>352,344</u>	<u>363,223</u>

11. Borrowings

	2023 KHR'000	2022 KHR'000
Camma Microfinance Limited*	468,885	397,442
	<u>468,885</u>	<u>397,442</u>

*The borrowing from Camma Microfinance Limited, bear annual interest at 16% and repayable on 19 July 2032.

12. Share capital

As at 31 December 2023 and 2022, the Company's registered capital is presented as follow:

	2023 & 2022		
	% of ownership	Number of shares	KHR'000
Mr. Svay Sokkhen	14.29%	1,250	50,000
Mr. Pichet Botra	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 Saosamphea	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>

At the reporting date, the Company's paid-up capital was fully paid the same as previous year.

13. Regulatory reserve

	2023 KHR'000
At 1 January	-
Transfer from/(to) retained earnings	<u>222,015</u>
At 31 December	<u>222,015</u>

As at 31 December 2023, the regulatory provision calculation is KHR'000 974,621 which is KHR'000 222,015 higher than the required provision per CIFR for SMEs of KHR'000 752,606. As such, in the compliance with Prakas No.7-017-344 Article 73(b), KHR'000 222,015 regulatory reserve is transferred from retained earnings.

14. Interest income

	2023 KHR'000	2022 KHR'000
Loan to customers	2,604,095	479,240
Deposits and placements with banks	308	125
	<u>2,604,403</u>	<u>479,365</u>

15. Interest expense

	2023 KHR'000	2022 KHR'000
Related parties	397,672	393,892
Non-related parties	149,392	16,463
	<u>547,064</u>	<u>410,355</u>

16. Other operating income

	2023 KHR'000	2022 KHR'000
Penalty income	63,185	51,219
Fee and commission on loans	11,228	1,709,825
Other operating income	17,881	26,677
	<u>92,294</u>	<u>1,787,721</u>

17. Employee expenses

	2023 KHR'000	2022 KHR'000
Salary and bonus expense	1,030,051	806,898
Incentive expense	29,242	11,924
Uniform expense	1,079	-
Other employee expenses	29,777	-
	<u>1,090,149</u>	<u>818,822</u>

18. General and administrative expenses

	2023 KHR'000	2022 KHR'000
Rental expense	147,199	72,737
Professional fee	85,728	53,814
Fuel and gasoline expenses	80,328	67,818
Repaired and maintenance expense	38,498	39,089
Entertainment expense	21,000	42,047
Office supplies	18,928	22,879
Depreciation expense	18,680	7,458
Membership fee	18,132	21,051
Communication expense	18,050	18,059
Utilities expense	16,087	13,245
Transportation expense	9,971	8,711
Loss on currency exchange rate	6,747	11,024
License fee	2,820	2,607
Security expense	1,595	480
Other expenses	15,750	3,490
	<u>499,513</u>	<u>384,509</u>

19. Allowance for impairment losses

	2023 KHR'000	2022 KHR'000
Loans to customers	230,930	372,293
Deposits and placements other banks	344	(1,778)
	<u>231,274</u>	<u>370,515</u>

20. Income taxes

a) Income tax payable

	2023 KHR'000	2022 KHR'000
At 01 January	67,633	-
Current income tax expense	42,140	90,916
Income tax during the year	(26,454)	(23,283)
Over provision of taxation	(68,031)	-
Translation difference	-	-
At 31 December	<u>15,288</u>	<u>67,633</u>

b) Income taxes

	2023 KHR'000	2022 KHR'000
Profit before tax	328,697	282,885
Add: Non-deductible expenses	542,197	472,713
Less: Deductible expenses	(483,079)	(301,458)
Other tax reconciliation	(177,116)	440
Income tax at 20% (A)	<u>42,140</u>	<u>90,916</u>
Minimum tax (B)	26,454	21,891
Estimated current income tax expense (Higher of A or B)	<u>42,140</u>	<u>90,916</u>

21. 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.

22. Related parties' balance and transactions

a. The following balances are outstanding with shareholder:

	2023 KHR'000	2022 KHR'000
Borrowings		
Mr. Svay Sokkhen	162,182	228,255
Mr. Pichet Botra	162,182	305,308
Mr. Pheng Pheap	162,578	167,295
Mr. Yan Sovoeurn	162,578	166,500
Mr. You Saosamphea	162,182	166,500
Mr. Nouch Tharo	162,182	390,010
Mr. Yan Penh	162,182	236,500
	<u>1,136,066</u>	<u>1,660,368</u>

The borrowings from shareholders are bear interest at rates of 18%-24% per annum and repayable on maturity date.

b. The following balances are outstanding with related parties:

	2023	2022
	KHR'000	KHR'000
Borrowings		
Mrs. Yan Vanna	222,550	82,340
Mr. Pichet Phumra	205,440	-
Mrs. Sek Dany	142,975	-
Mr. Yan chantha	102,125	-
Mrs. Sroy Chanthou	70,000	-
Mr. Chao Voy	61,275	-
Mrs. Sorn Yen	61,275	-
Mrs. Ieng Mary	41,977	82,343
Mr. Beng Simet	20,588	-
Mr. Tan Meng	20,425	-
Mr. Cheam Sunrattana	20,425	20,585
	969,055	185,268

The borrowings from related party are bear interest at interest 18%-24% per annum and repayable on maturity date.

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

	2023	2022
	KHR'000	KHR'000
Shareholder loans		
Mr. Svay Sokkhen		
At 01 January	228,255	104,066
Proceed of loan	-	164,261
Repayment	(65,284)	(41,170)
Currency translation differences	(789)	1,098
At 31 December	162,182	228,255

	2023	2022
	KHR'000	KHR'000
Shareholder loans		
Mr. Pichet Botra		
At 01 January	305,308	189,620
Proceed of loan	-	113,687
Repayment	(142,337)	-
Currency translation differences	(789)	2,001
At 31 December	162,182	305,308

	2023	2022
	KHR'000	KHR'000
Shareholder loans		
Mr. Pheng Pheap		
At 01 January	167,295	104,066
Proceed of loan	-	107,418
Repayment	(3,529)	(45,287)
Currency translation differences	(1,188)	1,098
At 31 December	162,578	167,295

	2023	2022
	KHR'000	KHR'000
Shareholder loans		
Mr. Yan Sovoeurn		
At 01 January	166,500	144,806
Proceed of loan	-	61,336
Repayment	(3,529)	(41,170)
Currency translation differences	(393)	1,528
At 31 December	162,578	166,500

Shareholder loans	2023	2022
<i>Mr. You Saosamphea</i>	KHR'000	KHR'000
At 01 January	166,500	104,066
Proceed of loan	-	61,336
Repayment	(3,529)	-
Currency translation differences	(789)	1,098
At 31 December	<u>162,182</u>	<u>166,500</u>

Shareholder loans	2023	2022
<i>Mr. Nouch Tharo</i>	KHR'000	KHR'000
At 01 January	390,010	326,286
Proceed of loan	-	61,336
Repayment	(227,039)	-
Currency translation differences	(789)	2,388
At 31 December	<u>162,182</u>	<u>390,010</u>

Shareholder loans	2023	2022
<i>Mr. Yan Penh</i>	KHR'000	KHR'000
At 01 January	236,500	124,066
Proceed of loan	-	339,244
Repayment	(73,529)	(228,120)
Currency translation differences	(789)	1,310
At 31 December	<u>162,182</u>	<u>236,500</u>

Related party loans	2023	2022
<i>Mrs. Yan Vanna</i>	KHR'000	KHR'000
At 01 January	82,340	175,182
Proceed of loan	222,550	-
Repayment	(82,340)	(94,691)
Currency translation differences	-	1,849
At 31 December	<u>222,550</u>	<u>82,340</u>

Related party loans	2023	2022
<i>Mr. Pichet Phumra</i>	KHR'000	KHR'000
At 01 January	-	-
Proceed of loan	205,440	-
Repayment	-	-
Currency translation differences	-	-
At 31 December	<u>205,440</u>	<u>-</u>

Related party loans	2023	2022
<i>Mrs. Sek Dany</i>	KHR'000	KHR'000
At 01 January	-	-
Proceed of loan	142,975	-
Repayment	-	-
Currency translation differences	-	-
At 31 December	<u>142,975</u>	<u>-</u>

Related party loans	2023	2022
<i>Mr. Yan chantha</i>	KHR'000	KHR'000
At 01 January	-	-
Proceed of loan	102,125	-
Repayment	-	-
Currency translation differences	-	-
At 31 December	<u>102,125</u>	<u>-</u>

	2023	2022
	KHR'000	KHR'000
Related party loans		
<i>Mrs. Sroy Chanthou</i>		
At 01 January	-	-
Proceed of loan	70,000	-
Repayment	-	-
Currency translation differences	-	-
At 31 December	70,000	-
Related party loans		
<i>Mr. Chao Voy</i>		
At 01 January	-	-
Proceed of loan	61,275	-
Repayment	-	-
Currency translation differences	-	-
At 31 December	61,275	-
Related party loans		
<i>Mrs. Sorn Yen</i>		
At 01 January	-	-
Proceed of loan	61,275	-
Repayment	-	-
Currency translation differences	-	-
At 31 December	61,275	-
Related party loans		
<i>Mrs. Ieng Mary</i>		
At 01 January	82,343	-
Proceed of loan	41,977	82,343
Repayment	(82,343)	-
Currency translation differences	-	-
At 31 December	41,977	82,343
Related party loans		
<i>Mr. Beng Simet</i>		
At 01 January	-	-
Proceed of loan	-	-
Repayment	20,588	-
Currency translation differences	-	-
At 31 December	20,588	-
Related party loans		
<i>Mr. Tan Meng</i>		
At 01 January	-	-
Proceed of loan	20,425	-
Repayment	-	-
Currency translation differences	-	-
At 31 December	20,425	-
Related party loans		
<i>Mr. Cheam Sunrattana</i>		
At 01 January	20,585	-
Proceed of loan	-	20,585
Repayment	-	-
Currency translation differences	(160)	-
At 31 December	20,425	20,585

23. Lease commitment

	2023 KHR'000	2022 KHR'000
Within one year	56,373	51,874
Two to five years	148,612	160,069
	<u>204,985</u>	<u>211,943</u>

24. Categories of financial instruments

	2023 KHR'000	2022 KHR'000
Financial assets		
<u>Amortised Cost</u>		
Cash on hand	13,016	31,621
Deposits and placements with NBC	28,000	-
Deposits and placements with banks	86,507	52,123
Loans to customers	4,428,453	3,984,317
Other assets*	55,414	96,399
	<u>4,611,390</u>	<u>4,164,460</u>
Financial liabilities		
<u>Amortised Cost</u>		
Amount due to related parties	2,105,121	1,845,636
Borrowings	468,885	397,442
Other liabilities**	352,344	292,897
	<u>2,926,350</u>	<u>2,535,975</u>

*Excludes prepayment

**Excluded unearned income

25. 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 risk

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 achieved; 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

	2023 KHR'000	2022 KHR'000
Loan to customers		
Neither past due nor impaired	2,994,617	3,159,994
Past due but not impaired	724,057	359,606
Individually impaired	709,779	464,717
	4,428,453	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-term 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.

2023	Up to 1 month KHR'000	>1-3 months KHR'000	>3-12 months KHR'000	>1-5 years KHR'000	Over 5 years KHR'000	Non-interest bearing KHR'000	Total KHR'000	Interest rates %
Financial assets								
Cash on hand	-	-	-	-	-	13,016	13,016	
Deposits and placements with NBC	-	-	-	-	-	28,000	28,000	
Deposits and placements with banks	-	-	-	-	-	86,507	86,507	
Loans to customers	-	-	836,359	3,592,094	-	-	4,428,453	18%
Other assets*	-	-	-	-	-	55,414	55,414	
Total financial assets	-	-	836,359	3,592,094	-	182,937	4,611,390	
Financial liabilities								
Amount due to related parties	-	-	-	2,105,121	-	-	2,105,121	18-24%
Borrowings	-	-	-	468,885	-	-	468,885	10-16%
Other liabilities**	-	-	-	-	-	352,344	352,344	
Total financial liabilities	-	-	-	2,574,006	-	352,344	2,926,350	
Total interest pricing gap KHR	-	-	836,359	1,018,088	-	(169,407)	1,685,040	

*Excluded prepayment

**Excluded unearned income

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	Up to 1 month KHR'000	>1-3 months KHR'000	>3-12 months KHR'000	>1-5 years KHR'000	Over 5 years KHR'000	Non-interest bearing KHR'000	Total KHR'000	Interest rates %
2022								
Financial assets								
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	18%
Other assets*	-	-	-	-	-	96,399	96,399	
Total financial assets	-	-	10,995	3,973,322	-	180,143	4,164,460	
Financial liabilities								
Amount due to related parties	-	-	-	1,845,636	-	-	1,845,636	18-24%
Borrowings	-	-	-	397,442	-	-	397,442	10.20%
Other liabilities**	-	-	-	-	-	292,897	292,897	
Total financial liabilities	-	-	-	2,243,078	-	292,897	2,535,975	
Total interest pricing gap KHR	-	-	10,995	1,730,244	-	(112,754)	1,628,485	

*Excluded prepayment

**Excluded 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:

2023	Up to 1 month KHR'000	>1-3 months KHR'000	>3-12 months KHR'000	>1-5 years KHR'000	Over 5 years maturity date KHR'000	No fixed maturity date KHR'000	Total KHR'000
Financial asset							
Cash on hand	-	-	-	-	-	13,016	13,016
Deposits and placements with NBC	-	-	-	-	-	28,000	28,000
Deposits and placements with banks	-	-	-	-	-	86,507	86,507
Loans to customers	-	-	836,359	3,592,094	-	-	4,428,453
Other assets*	-	-	-	-	-	55,414	55,414
Total financial assets	-	-	836,359	3,592,094	-	182,937	4,611,390
Financial liabilities							
Amount due to related parties	-	-	-	2,105,121	-	-	2,105,121
Borrowings	-	-	-	468,885	-	-	468,885
Other liabilities**	-	-	-	-	-	352,344	352,344
Total financial liabilities	-	-	-	2,574,006	-	352,344	2,926,350
Net liquidity surplus (gap)	-	-	836,359	1,018,088	-	(169,407)	1,685,040

*Excluded prepayment

**Excluded unearned income

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2022

Financial asset	Up to 1 month KHR'000	>1-3 months KHR'000	>3-12 months KHR'000	>1-5 years KHR'000	Over 5 years KHR'000	No fixed maturity date KHR'000	Total KHR'000
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
Total financial assets	-	-	10,995	3,973,322	-	180,143	4,164,460
Financial liabilities							
Amount due to related parties	-	-	-	1,845,636	-	-	1,845,636
Borrowings	-	-	-	397,442	-	-	397,442
Other liabilities**	-	-	-	-	-	292,897	292,897
Total financial liabilities	-	-	-	2,243,078	-	292,897	2,535,975
Net Liquidity surplus (gap)	-	-	10,995	1,730,244	-	(112,754)	1,628,485

*Excluded prepayment

**Excluded 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.

26. 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.

27. Authorisation of the financial statements

The financial statements for the year ended 31 December 2023 were authorised for issue by the director on 28 June 2024.