

INTEAN POALROATH RONGROEURNG LTD.

**Financial Statements
for the year ended 31 December 2019
and
Report of the Independent Auditors**

Corporate Information

Company	Intean Poalroath Rongroeung Ltd	
Registration No.	00017643	
Registered office	No.779A, St. Kampuchea Krom (128) Sangkat Teuk Laak I, Khan Toul Kork Phnom Penh, Kingdom of Cambodia	
Shareholder	Okhan Phou Puy	
Board of Directors	Oknha Phou Puy Mr. Hsu Ming Yee Mrs. Pok Nivilay	Chairman Independent director Independent director
Management team	Mr. Hort Bunsong Mr. Hay Kimkhorn Mr. Cheng Vanneth Mr. Kaseab Kasadora	Chief Executive Officer Head of Finance and Administration Head of Operation Head of Internal Audit
Principal bankers	Aceda Bank Plc.	
Auditors	KPMG Cambodia Ltd	

Intean Poalroath Rongroeng Ltd.

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INTEAN POALROATH RONGROEURNG LTD

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Report of the Board of Directors

The Board of Directors has pleasure in submitting their report together with the audited financial statements of Intean Poalroath Rongroeurng Ltd. ("the Company") for the year ended 31 December 2019.

Principal activities

The Company is principally engaged in the provision of micro-finance services. Those services comprise granting credit for poor and low income households and small enterprise operating in the Kingdom of Cambodia.

Financial results

The financial results of the Company were as follows:

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Profit before income tax	393,549	232,589	1,594,661	940,823
Income tax expense	(81,673)	(70,235)	(330,939)	(284,101)
Net profit for the year	<u>311,876</u>	<u>162,354</u>	<u>1,263,722</u>	<u>656,722</u>

Share capital

There was no changes in the registered and paid up share capital of the Company during the year.

Dividends

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

Reserves and provisions

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

Intean Poalroath Rongroeng Ltd.

Bad and doubtful loans

Before the financial statements of the Company were prepared, the Board of Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and making of allowance for doubtful loans, and satisfied themselves that all known bad loans had been written off and adequate allowance had been made for bad and doubtful loans.

At the date of this report, the Board of Directors are not aware of any circumstances, which would render the amount written off for bad loans, or the amount of allowance for doubtful loans in the financial statements of the Company, inadequate to any material extent.

Current assets

Before the financial statements of the Company were prepared, the Board of Directors took reasonable steps to ensure that any current assets, other than loans, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Company had been written down to amounts which they might be expected to realise.

At the date of this report, the Board of Directors are not aware of any circumstances, which would render the values attributed to the current assets in the financial statements of the Company misleading.

Valuation methods

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

Contingent and other liabilities

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

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- (b) any contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of its business operations.

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

Intean Poalroath Rongroeng Ltd.

Items of an unusual nature

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

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

Events since the reporting date

At the date of this report, except as disclosed in Note 28 of the financial statement, there have been no significant events occurring after the reporting date which would require adjustments or disclosures to be made in the financial statements.

The Board of Directors

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

Oknha Phou Puy	Chairman
Mr. Hsu Ming Yee	Independent director
Mrs. Pok Nivilay	Independent director

Director's interests

The director who held office at the end of the year and his interests in the shares of the Company were as follows:

	2019		2018	
	Holding %	Number of shares	Holding %	Number of shares
Oknha Phou Puy				
25,955 ordinary shares of US\$ 119 each	<u>100%</u>	<u>25,955</u>	<u>100%</u>	<u>25,955</u>

Board of Directors' benefits

During and at the end of the financial year, no arrangements existed to which the Company is a party with the object of enabling the Board of Directors of the Company to acquire benefits by means of share purchase option.

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

Intean Poalroath Rongroeng Ltd.

Responsibilities of Board of Directors in respect of the financial statements

The Board of Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors are required to:

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

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

Approval of the financial statements

We hereby approve the accompanying financial statements as set out on pages 8 to 46 which, in our opinion, present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with CIFRSs for SMEs.

On behalf of the Board of Directors,



Oknha Phou Puy
Chairman

Phnom Penh, Kingdom of Cambodia

Date: 29 MAY 2020



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Report of the independent auditors

To the shareholder of Intean Poalroath Rongroeurng Ltd.

Opinion

We have audited the financial statements of Intean Poalroath Rongroeurng Ltd. (“the Company”), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 8 to 46 (hereafter referred as “the financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, 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 (“CIFRSs for SMEs”).

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2018 prepared in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia (“NBC”) relating to the preparation and presentation of financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 April 2019.



As stated in Note 27 to the financial statements, the Company adopted CIFRSs for SMEs on 1 January 2019 with a transition date of 1 January 2018. These standards were applied retrospectively to the comparative information in these financial statements, including the statements of financial position as at 31 December 2018 and 1 January 2018, and the statements of comprehensive income, changes in equity and cash flows of the Company for the year ended 31 December 2018 and related explanatory notes.

We were not engaged to audit on the restated comparative information and it is unaudited. Our responsibilities in respect of this comparative information is to determine whether the financial statements include the comparative information required by CIFRSs for SMEs and whether such information is appropriately classified.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Report of the Board of Directors as set out on pages 1 to 4. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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 CISAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

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

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

For KPMG Cambodia Ltd

Lim Chew Teng
Partner



Phnom Penh, Kingdom of Cambodia

29 May 2020

Intean Poalroath Rongroeng Ltd.

Statement of financial position as at 31 December 2019

	Note	31 December		31 December	
		2019	2018	2019	2018
		US\$	US\$	KHR'000	KHR'000
				(Note 5)	(Note 5)
ASSETS					
Cash and cash equivalents	6	1,720,364	996,618	7,010,483	4,004,411
Placements with other banks	7	12,500	12,500	50,938	50,225
Statutory deposits	8	154,432	154,432	629,310	620,508
Loans to customers, net	9	5,170,113	5,780,491	21,068,210	23,226,013
Other assets	10	113,312	99,520	461,747	399,871
Property and equipment	11	25,914	45,655	105,600	183,442
Intangible assets	12	-	404	-	1,623
Deferred tax assets, net	15A	137,991	159,670	562,313	641,554
Current income tax receivable	15B	-	16,476	-	66,201
		<u>7,334,626</u>	<u>7,265,766</u>	<u>29,888,601</u>	<u>29,193,848</u>
LIABILITIES AND SHAREHOLDER'S EQUITY					
Liabilities					
Borrowings	13	302,000	585,492	1,230,650	2,352,507
Other liabilities	14	24,827	14,688	101,170	59,016
Current income tax liability	15B	30,337	-	123,623	-
Total liabilities		<u>357,164</u>	<u>600,180</u>	<u>1,455,443</u>	<u>2,411,523</u>
Shareholder's equity					
Share capital	16	3,088,645	3,088,645	12,468,860	12,468,860
Retained earnings		3,872,369	3,567,594	15,638,550	14,403,601
Regulatory reserves	17	16,448	9,347	66,582	37,809
Currency translation reserves		-	-	259,166	(127,945)
Total shareholder's equity		<u>6,977,462</u>	<u>6,665,586</u>	<u>28,433,158</u>	<u>26,782,325</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		<u>7,334,626</u>	<u>7,265,766</u>	<u>29,888,601</u>	<u>29,193,848</u>

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

Intean Poalroath Rongroeng Ltd.

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Operating income					
Interest income	18	1,164,133	1,626,056	4,717,067	6,577,397
Interest expense	19	(47,390)	(171,617)	(192,024)	(694,191)
Net interest income		1,116,743	1,454,439	4,525,043	5,883,206
Other income	20	269,550	85,661	1,092,217	346,499
Net operating income		1,386,293	1,540,100	5,617,260	6,229,705
Personnel expenses	21	(514,256)	(528,203)	(2,083,765)	(2,136,581)
Depreciation and amortisation		(22,909)	(36,125)	(92,827)	(146,126)
Other operating expenses	22	(367,232)	(376,157)	(1,488,025)	(1,521,555)
Impairment loss allowance on loans to customers	9	(88,347)	(367,026)	(357,982)	(1,484,620)
Profit before income tax		393,549	232,589	1,594,661	940,823
Income tax expense	15C	(81,673)	(70,235)	(330,939)	(284,101)
Net profit for the year		311,876	162,354	1,263,722	656,722
Other comprehensive income/(loss)					
Currency translation difference		-	-	387,111	(127,945)
Total comprehensive income for the year		311,876	162,354	1,650,833	528,777

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

Intean Poalroath Rongroeng Ltd.

Statement of changes in equity for the year ended 31 December 2019

	Share capital		Retained earnings		Regulatory reserves		Currency translation reserves		Total	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January 2018	3,088,645	12,468,860	3,414,587	13,784,688	-	-	-	-	6,503,232	26,253,548
Transaction directly recorded in equity										
Transfer from retained earnings to regulatory reserves	-	-	(9,347)	(37,809)	9,347	37,809	-	-	-	-
Total comprehensive income										
Net profit for the year	-	-	162,354	656,722	-	-	-	-	162,354	656,722
Currency translation difference	-	-	-	-	-	-	-	(127,945)	-	(127,945)
At 31 December 2018	<u>3,088,645</u>	<u>12,468,860</u>	<u>3,567,594</u>	<u>14,403,601</u>	<u>9,347</u>	<u>37,809</u>	<u>-</u>	<u>(127,945)</u>	<u>6,665,586</u>	<u>26,782,325</u>
At 1 January 2019	3,088,645	12,468,860	3,567,594	14,403,601	9,347	37,809	-	(127,945)	6,665,586	26,782,325
Transaction directly recorded in equity										
Transfer from retained earnings to regulatory reserves	-	-	(7,101)	(28,773)	7,101	28,773	-	-	-	-
Total comprehensive income										
Net profit for the year	-	-	311,876	1,263,722	-	-	-	-	311,876	1,263,722
Currency translation difference	-	-	-	-	-	-	-	387,111	-	387,111
At 31 December 2019	<u>3,088,645</u>	<u>12,468,860</u>	<u>3,872,369</u>	<u>15,638,550</u>	<u>16,448</u>	<u>66,582</u>	<u>-</u>	<u>259,166</u>	<u>6,977,462</u>	<u>28,433,158</u>

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

Intean Poalroath Rongroeng Ltd.

Statement of cash flows for the year ended 31 December 2019

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Cash flows from operating activities				
Net profit for the year	311,876	162,354	1,263,722	656,722
<i>Adjustments for:</i>				
Income tax expense	81,673	70,235	330,939	284,101
Interest income	(1,164,133)	(1,626,056)	(4,717,067)	(6,577,397)
Interest expense	47,390	171,617	192,024	694,191
Unrealised (gains)/loss on foreign exchange	(75,377)	4,603	(305,428)	18,621
Depreciation and amortisation	22,909	36,125	92,827	146,126
Property and equipment write off	2,332	-	9,450	-
Impairment loss allowance on loans to customers	88,347	367,026	357,982	1,484,620
Provision for employee benefits	18,009	(5,781)	72,972	(23,384)
	<u>(666,974)</u>	<u>(819,877)</u>	<u>(2,702,579)</u>	<u>(3,316,400)</u>
<i>Changes in:</i>				
Loans to customers	522,895	2,092,375	2,118,771	8,463,657
Other assets	(13,792)	(36,220)	(55,885)	(146,510)
Other liabilities	10,139	(56,777)	41,083	(229,663)
	<u>(147,732)</u>	<u>1,179,501</u>	<u>(598,610)</u>	<u>4,771,084</u>
Interest received	1,238,646	1,716,223	5,018,994	6,942,122
Interest paid	(47,547)	(224,017)	(192,660)	(906,149)
Income tax paid	(13,181)	(78,742)	(53,409)	(318,511)
Payments for employee benefits	(18,009)	(144,582)	(72,972)	(584,834)
Net cash generated from operating activities	<u>1,012,177</u>	<u>2,448,383</u>	<u>4,101,343</u>	<u>9,903,712</u>
Cash flows from investing activities				
Acquisition of property and equipment	<u>(5,096)</u>	<u>(7,106)</u>	<u>(20,649)</u>	<u>(28,744)</u>
Net cash used in investing activities	<u>(5,096)</u>	<u>(7,106)</u>	<u>(20,649)</u>	<u>(28,744)</u>

Intean Poalroath Rongroeng Ltd.

Statement of cash flows (continued) for the year ended 31 December 2019

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Cash flows from financing activities				
Repayments of borrowings	(283,335)	(2,805,420)	(1,148,073)	(11,347,924)
Proceeds from borrowings	-	200,000	-	809,000
Net cash used in financing activities	<u>(283,335)</u>	<u>(2,605,420)</u>	<u>(1,148,073)</u>	<u>(10,538,924)</u>
Net increase/(decrease) in cash and cash equivalents	723,746	(164,143)	2,932,621	(663,956)
Cash and cash equivalents at 1 January	996,618	1,160,761	4,004,411	4,685,992
Currency translation difference	-	-	73,451	(17,625)
Cash and cash equivalents at 31 December (Note 6)	<u>1,720,364</u>	<u>996,618</u>	<u>7,010,483</u>	<u>4,004,411</u>

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

Intean Poalroath Rongroeuung Ltd.

Notes to the financial statements for the year ended 31 December 2019

1. Reporting entity

Intean Poalroath Rongroeuung Ltd. (“IPR” or the “Company”), formerly known as a credit unit of the Federation of the Cambodian Rice Millers Association. The Company was incorporated in Cambodia under Registration No.00017643 issued by the Ministry of Commerce on 19 July 2005 and obtained its licence from the National Bank of Cambodia (the “NBC”) to operate as a microfinance institution on 18 August 2005. The Company obtained a permanent microfinance licence from the NBC on 24 June 2008.

The principal activity of the Company is to provide credit services to improve the living standard in terms of rural development through its head office in Phnom Penh and its branches in 4 provinces of Takeo, Pursat, Battambang and Banteay Meanchey.

The Company’s registered office is located at No. 779A, St. Kampuchea Krom (128), Sangkat Teuk Laak I, Khan Toul Kork, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2019, the company had 78 employees (31 December 2018: 91 employees).

2. Basis of accounting

The financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRSs for SMEs”). These are the first set of the financial statements prepared in accordance with CIFRSs for SMEs and Section 35 *Transition to the CIFRSs for SMEs* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Cambodian Accounting Standards (“CAS”) and the guidelines of the National Bank of Cambodia (“NBC”) relating to the preparation and presentation of the financial statements (“Cambodia GAAP”).

The Company has applied consistently to all periods presented in these financial statements and in preparing the opening CIFRSs for SMEs statement of financial position at 1 January 2018 for the purposes of the transition to CIFRSs for SMEs.

An explanation of how the transition to CIFRSs for SMEs has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 27.

The financial statements of the Company were authorised for issue by the Board of Directors on 29 May 2020.

Details of the Company’s accounting policies are included in Note 26.

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

3. Functional and presentation currency

The Company transacts its business and maintains its accounting records in United States Dollars (“US\$”). Management has determined the US\$ to be the Company’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

These financial statements are presented in US\$, which is the Company’s functional currency. All amounts have been rounded to the nearest dollar, except when otherwise indicated.

4. Use of estimates and judgements

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2019 is set out below in relation to the impairment of financial instruments:

- Note 26G(vii) – Identification and measurement of impairment.

5. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for compliance with the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

Assets and liabilities are translated at the closing rate as at the reporting date and share capital is translated at historical rate. The statements of comprehensive income and cash flows are translated into KHR using the average rate for the year. Exchange difference arising from the translation are recognised as “Currency translation reserves” in the other comprehensive income.

The Company uses the following exchange rates:

			Closing rate	Average rate
31 December 2019	US\$1	=	KHR 4,075	KHR 4,052
31 December 2018	US\$1	=	KHR 4,018	KHR 4,045
1 January 2018	US\$1	=	KHR 4,037	N/A

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

6. Cash and cash equivalents

	31 December		31 December	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Cash on hand	84,504	71,790	344,354	288,452
Balances with other banks	1,635,860	924,828	6,666,129	3,715,959
	<u>1,720,364</u>	<u>996,618</u>	<u>7,010,483</u>	<u>4,004,411</u>

7. Placements with other banks

	31 December		31 December	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Term deposits (non-cash equivalents)	<u>12,500</u>	<u>12,500</u>	<u>50,938</u>	<u>50,225</u>

Placements with other banks are further analysed as follows:

	31 December		31 December	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
A. By maturity:				
> 3 to 12 months	<u>12,500</u>	<u>12,500</u>	<u>50,938</u>	<u>50,225</u>
B. By interest rate (per annum):				
Term deposits		<u>2019</u> 3.25%		<u>2018</u> 3.25%

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

8. Statutory deposits

Under NBC Prakas B7-01-136 dated 15 October 2001, micro-finance institutions are required to maintain a statutory deposit of 5% of registered capital with the NBC. This deposit is not available for use in the Company's day-to-day operations but is refundable when the Company voluntarily ceases to operate the business in Cambodia.

The statutory deposit maintained with the NBC in US\$ bears interest at 3/8 of the six-month period LIBOR rate.

9. Loans to customers, net

	31 December		31 December	
	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Individual loans	5,697,001	6,664,417	23,215,278	26,777,628
Staff loans	44,047	5,824	179,492	23,401
	<u>5,741,048</u>	<u>6,670,241</u>	<u>23,394,770</u>	<u>26,801,029</u>
Less: Impairment loss allowance on loans to customers	<u>(570,935)</u>	<u>(889,750)</u>	<u>(2,326,560)</u>	<u>(3,575,016)</u>
	<u>5,170,113</u>	<u>5,780,491</u>	<u>21,068,210</u>	<u>23,226,013</u>

The movements in impairment loss allowance on loans to customers were analysed as follows:

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	889,750	868,561	3,575,016	3,506,381
Allowance for the year	88,347	367,026	357,982	1,484,620
Written off during the year	(407,162)	(345,837)	(1,649,820)	(1,398,911)
Currency translation difference	-	-	43,382	(17,074)
At 31 December	<u>570,935</u>	<u>889,750</u>	<u>2,326,560</u>	<u>3,575,016</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

9. Loans to customers, net (continued)

Gross loans to customers are analysed as follows:

	31 December		31 December	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
A. By maturity:				
Within 1 month	-	168,451	-	676,836
2 to 3 months	-	110,503	-	444,002
4 to 12 months	1,874,614	1,474,998	7,639,052	5,926,542
Over 12 months	3,866,434	4,916,289	15,755,718	19,753,649
	<u>5,741,048</u>	<u>6,670,241</u>	<u>23,394,770</u>	<u>26,801,029</u>
B. By economic sector:				
Agriculture	2,929,753	4,388,186	11,938,743	17,631,732
Service	80,580	114,285	328,364	459,197
Others	2,730,715	2,167,770	11,127,663	8,710,100
	<u>5,741,048</u>	<u>6,670,241</u>	<u>23,394,770</u>	<u>26,801,029</u>
C. By residency status:				
Residents	<u>5,741,048</u>	<u>6,670,241</u>	<u>23,394,770</u>	<u>26,801,029</u>
D. By relationship:				
External customers	5,011,541	6,056,031	20,422,028	24,333,133
Related parties	685,460	608,386	2,793,250	2,444,495
Staff loans	44,047	5,824	179,492	23,401
	<u>5,741,048</u>	<u>6,670,241</u>	<u>23,394,770</u>	<u>26,801,029</u>
E. By location:				
Phnom Penh	755,913	614,267	3,080,345	2,468,125
Battambang	2,411,619	3,439,544	9,827,347	13,820,087
Pursat	798,178	1,098,944	3,252,576	4,415,558
Takeo	1,007,792	768,291	4,106,752	3,086,993
Banteay Meanchey	767,546	749,195	3,127,750	3,010,266
	<u>5,741,048</u>	<u>6,670,241</u>	<u>23,394,770</u>	<u>26,801,029</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

9. Loans to customers (continued)

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

	31 December		31 December	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
F. By currency:				
KHR	550,459	642,528	2,243,120	2,581,678
US Dollars	4,242,219	5,084,404	17,287,042	20,429,135
Thai Baht	948,370	943,309	3,864,608	3,790,216
	<u>5,741,048</u>	<u>6,670,241</u>	<u>23,394,770</u>	<u>26,801,029</u>

G. By interest rate (per annum)

	2019	2018
External customers	12.00% - 32.40%	17.40% - 33.60%
Related parties	12.00%	12.00%
Staff loans	<u>12.00%</u>	<u>12.00%</u>

10. Other assets

	31 December		31 December	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Prepayments	28,284	26,988	115,257	108,438
Advance to the shareholder (*)	70,500	60,300	287,288	242,285
Other receivables	14,528	12,232	59,202	49,148
	<u>113,312</u>	<u>99,520</u>	<u>461,747</u>	<u>399,871</u>

(*) Advance to the shareholder is unsecured, interest free and repayable on demand.

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

11. Property and equipment

2019	Leasehold improvements US\$	Motor vehicles US\$	Furniture and fixtures US\$	Computer and office equipment US\$	US\$	Total	KHR'000 (Note 5)
Cost							
At 1 January 2019	9,093	14,125	32,417	68,772	124,407		499,867
Additions	214	-	938	3,944	5,096		20,649
Written off	(6,149)	(1,777)	(16,094)	(24,056)	(48,076)		(194,804)
Currency translation difference	-	-	-	-	-		6,103
At 31 December 2019	<u>3,158</u>	<u>12,348</u>	<u>17,261</u>	<u>48,660</u>	<u>81,427</u>		<u>331,815</u>
Less: Accumulated depreciation							
At 1 January 2019	7,672	5,415	23,213	42,452	78,752		316,425
Depreciation for the year	630	2,558	5,773	13,544	22,505		91,190
Written off	(6,124)	(769)	(16,094)	(22,757)	(45,744)		(185,354)
Currency translation difference	-	-	-	-	-		3,954
At 31 December 2019	<u>2,178</u>	<u>7,204</u>	<u>12,892</u>	<u>33,239</u>	<u>55,513</u>		<u>226,215</u>
Carrying amounts							
At 31 December 2019	<u><u>980</u></u>	<u><u>5,144</u></u>	<u><u>4,369</u></u>	<u><u>15,421</u></u>	<u><u>25,914</u></u>		<u><u>105,600</u></u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

11. Property and equipment (continued)

2018	Leasehold improvements US\$	Motor vehicles US\$	Furniture and fixtures US\$	Computer and office equipment US\$	US\$	Total	KHR'000 (Note 5)
Cost							
At 1 January 2018	9,093	23,248	64,047	100,883	197,271	796,383	
Additions	-	-	299	6,807	7,106	28,744	
Written off	-	(9,123)	(31,929)	(38,918)	(79,970)	(323,479)	
Currency translation difference	-	-	-	-	-	(1,781)	
At 31 December 2018	<u>9,093</u>	<u>14,125</u>	<u>32,417</u>	<u>68,772</u>	<u>124,407</u>	<u>499,867</u>	
Less: Accumulated depreciation							
At 1 January 2018	5,536	10,954	43,596	64,198	124,284	501,735	
Depreciation for the year	2,136	3,584	11,546	17,172	34,438	139,302	
Written off	-	(9,123)	(31,929)	(38,918)	(79,970)	(323,479)	
Currency translation difference	-	-	-	-	-	(1,133)	
At 31 December 2018	<u>7,672</u>	<u>5,415</u>	<u>23,213</u>	<u>42,452</u>	<u>78,752</u>	<u>316,425</u>	
Carrying amounts							
At 31 December 2018	<u>1,421</u>	<u>8,710</u>	<u>9,204</u>	<u>26,320</u>	<u>45,655</u>	<u>183,442</u>	

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

12. Intangible assets

	Computer software			
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Cost				
At 1 January	6,750	6,750	27,122	27,250
Currency translation difference	-	-	384	(128)
At 31 December	<u>6,750</u>	<u>6,750</u>	<u>27,506</u>	<u>27,122</u>
Less: Accumulated amortisation				
At 1 January	6,346	4,659	25,499	18,808
Amortisation for the year	404	1,687	1,637	6,824
Currency translation difference	-	-	370	(133)
At 31 December	<u>6,750</u>	<u>6,346</u>	<u>27,506</u>	<u>25,499</u>
Carrying amounts				
At 31 December	<u>-</u>	<u>404</u>	<u>-</u>	<u>1,623</u>

13. Borrowings

	31 December		31 December	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Related party	302,000	302,000	1,230,650	1,213,436
Non related party	-	283,492	-	1,139,071
	<u>302,000</u>	<u>585,492</u>	<u>1,230,650</u>	<u>2,352,507</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

13. Borrowings (continued)

Borrowings are analysed as follows:

	31 December		31 December	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
A. By maturity:				
3 to 12 months	-	83,492	-	335,471
1 to 5 years	302,000	502,000	1,230,650	2,017,036
	<u>302,000</u>	<u>585,492</u>	<u>1,230,650</u>	<u>2,352,507</u>
B. By interest rate (per annum)				
US Dollars		9.41%		9.41% - 11.05%

14. Other liabilities

	31 December		31 December	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Other taxes payable	3,606	5,701	14,694	22,907
Other payables	21,221	8,987	86,476	36,109
	<u>24,827</u>	<u>14,688</u>	<u>101,170</u>	<u>59,016</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

15. Income tax

A. Deferred tax assets, net

	31 December		31 December	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Deferred tax assets, net	<u>137,991</u>	<u>159,670</u>	<u>562,313</u>	<u>641,554</u>

Deferred tax assets/(liabilities) are attributable to the following:

	31 December		31 December	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Allowance for impairment	93,238	129,982	379,945	522,267
Unearned income	35,331	36,052	143,973	144,857
Accelerated depreciation	4,074	3,364	16,602	13,517
Unrealised exchange loss/(gain)	<u>5,348</u>	<u>(9,728)</u>	<u>21,793</u>	<u>(39,087)</u>
	<u>137,991</u>	<u>159,670</u>	<u>562,313</u>	<u>641,554</u>

Movements of deferred tax assets were as follows:

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
At 1 January	159,670	192,080	641,554	775,427
Recognised in profit or loss	(21,679)	(32,410)	(87,843)	(131,098)
Currency translation difference	<u>-</u>	<u>-</u>	<u>8,602</u>	<u>(2,775)</u>
At 31 December	<u>137,991</u>	<u>159,670</u>	<u>562,313</u>	<u>641,554</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

15. Income tax (continued)

B. Current income tax liability/(Current income tax receivable)

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
At 1 January	(16,476)	24,441	(66,201)	98,668
Recognised in profit or loss	59,994	37,825	243,096	153,003
Income tax paid	(13,181)	(78,742)	(53,409)	(318,511)
Currency translation difference	-	-	137	639
At 31 December	<u>30,337</u>	<u>(16,476)</u>	<u>123,623</u>	<u>(66,201)</u>

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

C. Income tax expense

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Current income tax	59,994	37,825	243,096	153,003
Deferred tax	<u>21,679</u>	<u>32,410</u>	<u>87,843</u>	<u>131,098</u>
Income tax expense	<u>81,673</u>	<u>70,235</u>	<u>330,939</u>	<u>284,101</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

15. Income tax (continued)

C. Income tax expense (continued)

The reconciliation of income tax expense computed at the statutory tax rate of 20% to the income tax expense shown in profit or loss is as follows:

	2019			2018		
	US\$	KHR'000 (Note 5)	%	US\$	KHR'000 (Note 5)	%
Profit before income tax	<u>393,549</u>	<u>1,594,661</u>		<u>232,589</u>	<u>940,823</u>	
Income tax using statutory rate at 20%	78,710	318,932	20%	46,518	188,165	20%
Non-deductible expenses	2,963	12,007	1%	2,384	9,643	1%
Others	-	-	-	21,333	86,293	9%
Income tax expense	<u>81,673</u>	<u>330,939</u>	<u>21%</u>	<u>70,235</u>	<u>284,101</u>	<u>30%</u>

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

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

16. Share capital

	31 December		31 December	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Registered, issued and fully paid 25,955 ordinary shares of US\$119 each Okhna Phou Puy (100%)	<u>3,088,645</u>	<u>3,088,645</u>	<u>12,468,860</u>	<u>12,468,860</u>

17. Regulatory reserves

Regulatory reserves represented the variance of provision between loan impairment in accordance with CIFRS for SMEs and regulatory provision in accordance with National Bank of Cambodia.

18. Interest income

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Loans to customers	1,162,847	1,624,430	4,711,856	6,570,820
Placement with banks	<u>1,286</u>	<u>1,626</u>	<u>5,211</u>	<u>6,577</u>
	<u>1,164,133</u>	<u>1,626,056</u>	<u>4,717,067</u>	<u>6,577,397</u>

19. Interest expense

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Borrowings	<u>47,390</u>	<u>171,617</u>	<u>192,024</u>	<u>694,191</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

20. Other income

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Recovery from loan previously written off	160,343	57,299	649,710	231,775
Foreign exchange gains	75,377	-	305,428	-
Other income	33,830	28,362	137,079	114,724
	<u>269,550</u>	<u>85,661</u>	<u>1,092,217</u>	<u>346,499</u>

21. Personnel expenses

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Salaries	481,249	520,614	1,950,020	2,105,884
Employee benefits-Seniority payments	18,009	(5,781)	72,972	(23,384)
Training expenses	5,533	2,411	22,420	9,752
Others	9,465	10,959	38,353	44,329
	<u>514,256</u>	<u>528,203</u>	<u>2,083,765</u>	<u>2,136,581</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

22. Other operating expenses

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Rental expenses	87,798	92,533	355,757	374,296
Board of Directors' fees	53,000	50,600	214,756	204,677
Professional fee	63,321	42,926	256,577	173,636
Fuel and vehicle operating expenses	30,664	40,497	124,251	163,810
Travel and transportation expenses	27,125	24,613	109,911	99,560
Communication expenses	16,735	18,828	67,810	76,159
Utility expenses	15,701	16,610	63,620	67,187
Insurance expenses	10,016	11,009	40,585	44,530
Entertainment expenses	9,133	5,045	37,007	20,407
Marketing and advertisement expenses	5,268	1,869	21,346	7,560
Printing and stationery expenses	5,099	12,223	20,661	49,442
Subscription fees	3,447	3,315	13,967	13,409
Low value assets	2,979	4,220	12,071	17,070
Bank charges	2,876	7,472	11,654	30,224
Penalties	1,230	1,835	4,984	7,423
Repairs and maintenance expenses	458	938	1,856	3,794
Foreign exchange loss	-	4,603	-	18,621
Other expenses	32,382	37,021	131,212	149,750
	<u>367,232</u>	<u>376,157</u>	<u>1,488,025</u>	<u>1,521,555</u>

23. Related parties

A. Identity of related parties

The related parties of, and their relationship with the Company are as follow:

Relationship	Related party
Shareholder	Refer to Note 16
Key management personnel	All directors of the Company who make critical decisions in relation to the strategic direction of the Company and senior management staff (including their close family members)

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

23. Related parties (continued)

B. Transactions and balances with related parties.

(i) Related party transactions

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Interest income	50,881	5,363	207,341	21,693
Interest expense	28,235	48,113	114,409	194,617
Repayments of borrowings	<u>-</u>	<u>(700,000)</u>	<u>-</u>	<u>(2,831,500)</u>

(ii) Key management personnel compensation

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Salaries and benefits	197,376	188,174	799,768	761,164
Board of Director's fee	<u>53,000</u>	<u>50,600</u>	<u>214,756</u>	<u>204,677</u>
	<u>250,376</u>	<u>238,774</u>	<u>1,014,524</u>	<u>965,841</u>

(iii) Related party balances

	31 December		31 December	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Loans to related parties (Note 9)	<u>685,460</u>	<u>608,386</u>	<u>2,793,250</u>	<u>2,444,495</u>
Advance to the shareholder (Noted 10)	<u>70,500</u>	<u>60,300</u>	<u>287,288</u>	<u>242,285</u>
Borrowings (Note 13)	<u>302,000</u>	<u>302,000</u>	<u>1,230,650</u>	<u>1,213,436</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

24. Commitments and contingencies

A. Lease commitments

The Company has commitments for the lease of its headquarters and branch offices under an operating lease arrangement, with future minimum lease amounts due as follows:

	31 December		31 December	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Within 1 year	91,302	70,389	372,056	282,823
1 to 5 years	41,305	32,167	168,318	129,247
	<u>132,607</u>	<u>102,556</u>	<u>540,374</u>	<u>412,070</u>

B. Tax contingencies

The taxation system in Cambodia is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

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

25. Fair values of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Company's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the statement of financial position are a reasonable estimation of their fair values.

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

26. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening CIFRSs for SMEs statement of financial position at 1 January 2018 for the purposes of the transition to CIFRSs for SMEs, unless otherwise indicated.

A. Basis of measurement

The financial statements have been prepared on a historical cost.

B. Foreign currency transactions

Transactions in currencies other than US\$ are translated into US\$ at the exchange rate ruling at the dates of the transactions.

Monetary assets and liabilities denominated in currencies other than US\$ at the reporting date are translated into US\$ at the rates of exchange ruling at that date. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in other currency are translated using the exchange rates as at the respective dates of the initial transactions.

C. Interest

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

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

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

D. Fees and commission

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

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

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

26. Significant accounting policies (continued)

E. Leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

F. Income tax

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

(i) Current tax

'Current tax' comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

26. Significant accounting policies (continued)

G. Financial assets and financial liabilities

(i) Recognition

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

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

(ii) Classification

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

(iii) Derecognition

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

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

(iv) Offsetting

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

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

26. Significant accounting policies (continued)

G. Financial assets and financial liabilities (continued)

(v) *Amortised cost measurement*

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

(vi) *Fair value measurement*

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

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

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

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

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

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

26. Significant accounting policies (continued)

G. Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment

Objective evidence of impairment

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

Objective evidence that financial assets are impaired includes:

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

Individual and collective assessment

All individually significant assets are individually assessed for impairment.

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

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

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

26. Significant accounting policies (continued)

G. Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Individual and collective assessment (continued)

A collective component of the total allowance is established for:

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

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

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

Measurement

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

Reversal of impairment and write offs

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

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

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

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

26. Significant accounting policies (continued)

H. Cash and cash equivalents

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

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

I. Statutory deposits

Statutory deposits represent mandatory reserve deposits and cash maintained with the National Bank of Cambodia in compliance with the Law on Banking and Financial Institutions ("LBFI"). Statutory deposits are not available to finance the Company's day-to-day operations hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

J. Loans to customers

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

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

K. Other assets

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

L. Property and equipment

- (i) Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Intean Poalroath Rongroeuung Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

26. Significant accounting policies (continued)

L. Property and equipment (continued)

- (ii) Depreciation of property and equipment is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets at the following rates per annum.

Leasehold improvements	4 years
Motor vehicles	5 years
Furniture and fixtures	4 years
Computer and office equipment	4 years

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

M. Intangible assets

Intangible assets comprise of software including costs incurred in acquiring and building software, which is not integral to the operation of hardware, and is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Software costs are amortised on a straight-line basis over the expected useful lives of 4 years.

Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

N. Impairment of non-financial assets

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

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

26. Significant accounting policies (continued)

N. Impairment of non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

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

O. Provisions

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

P. Borrowings and other liabilities

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

Q. Share capital

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

R. Regulatory reserves

Regulatory reserves are set up for the variance of provision between loan impairment in accordance with CIFRSs for SMEs and regulatory provision in accordance with National Bank of Cambodia’s Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions.

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

26. Significant accounting policies (continued)

R. Regulatory reserves (continued)

Based on these NBC Guidelines, all loans to customers are classified according to the repayment capacity of the counterparty and the number of days past due is taken into account as follows:

Classification	Number of days past due	Allowance
Short-term loans (less than or equal one year):		
Normal/standard	<15 days	1%
Special mention	15 days – 30 days	3%
Substandard	31 days – 60 days	20%
Doubtful	61 days – 90 days	50%
Loss	≥ 91 days	100%
Long-term loans (more than one year):		
Normal/standard	<30 days	1%
Special mention	≥ 30 days – 89 days	3%
Substandard	≥ 90 days – 179 days	20%
Doubtful	≥ 180 days – 359 days	50%
Loss	More than 359 days	100%

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

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

27. Explanation of transition to CIFRSs for SMEs

As stated in Note 2, these are the Company's first set of financial statements prepared in accordance with CIFRSs for SMEs.

The accounting policies set out in Note 26 have been applied in preparing the financial statements for the year ended 31 December 2019, the comparative information presented in these financial statements for the year ended 31 December 2018 and in the preparation of an opening CIFRSs for SMEs statement of financial position at 1 January 2018 (the Company's date of transition).

In preparing its opening CIFRSs for SMEs statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of the financial statements ("Cambodia GAAP").

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

27. Explanation of transition to CIFRSs for SMEs (continued)

Reconciliation of equity

	Note	1 January 2018			31 December 2018		
		Cambodia GAAP US\$	Effect of transition to CIFRSs for SMEs US\$	CIFRSs for SMEs US\$	Cambodia GAAP US\$	Effect of transition to CIFRSs for SMEs US\$	CIFRSs for SMEs US\$
ASSETS							
Cash on hand	C	106,956	(106,956)	-	71,790	(71,790)	-
Balances with NBC	C	156,193	(156,193)	-	157,028	(157,028)	-
Cash and cash equivalents	C	-	1,160,761	1,160,761	-	996,618	996,618
Placements with other banks	A(i)	1,064,544	(1,052,044)	12,500	925,385	(912,885)	12,500
Statutory deposits	C	-	154,432	154,432	-	154,432	154,432
Loans to customers, net	A(i), (ii), C	8,774,571	(439,909)	8,334,662	6,286,935	(506,444)	5,780,491
Other assets	A(ii), C	253,569	(190,269)	63,300	190,416	(90,896)	99,520
Property and equipment		72,987	-	72,987	45,655	-	45,655
Intangible assets		2,091	-	2,091	404	-	404
Deferred tax assets, net	B	53,171	138,909	192,080	55,597	104,073	159,670
Current income tax receivable	C	22,227	(22,227)	-	22,332	(5,856)	16,476
Total assets		10,506,309	(513,496)	9,992,813	7,755,542	(489,776)	7,265,766
Total assets (KHR'000 – Note 5)		42,413,969	(2,072,983)	40,340,986	31,161,768	(1,967,920)	29,193,848

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

27. Explanation of transition to CIFRSs for SMEs (continued)

Reconciliation of equity (continued)

	Note	1 January 2018			31 December 2018		
		Cambodia GAAP US\$	Effect of transition to CIFRSs for SMEs US\$	CIFRSs for SMEs US\$	Cambodia GAAP US\$	Effect of transition to CIFRSs for SMEs US\$	CIFRSs for SMEs US\$
LIABILITIES							
Borrowings	A(ii), C	3,188,755	54,557	3,243,312	583,335	2,157	585,492
Other liabilities	A(ii), C	126,022	95,806	221,828	70,119	(55,431)	14,688
Provision for employee benefits	C	150,363	(150,363)	-	-	-	-
Current income tax liability	C	46,668	(22,227)	24,441	5,856	(5,856)	-
Total liabilities		<u>3,511,808</u>	<u>(22,227)</u>	<u>3,489,581</u>	<u>659,310</u>	<u>(59,130)</u>	<u>600,180</u>
SHAREHOLDER'S EQUITY							
Share capital		3,088,645	-	3,088,645	3,088,645	-	3,088,645
Retained earnings		3,905,856	(491,269)	3,414,587	4,007,587	(439,993)	3,567,594
Regulatory reserves	A(i)	-	-	-	-	9,347	9,347
Total equity		<u>6,994,501</u>	<u>(491,269)</u>	<u>6,503,232</u>	<u>7,096,232</u>	<u>(430,646)</u>	<u>6,665,586</u>
Total liabilities and shareholder's equity		<u>10,506,309</u>	<u>(513,496)</u>	<u>9,992,813</u>	<u>7,755,542</u>	<u>(489,776)</u>	<u>7,265,766</u>
Total liabilities and shareholder's equity (KHR'000 – Note 5)		<u>42,413,969</u>	<u>(2,072,983)</u>	<u>40,340,986</u>	<u>31,161,768</u>	<u>(1,967,920)</u>	<u>29,193,848</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

27. Explanation of transition to CIFRSs for SMEs (continued)

Reconciliation of comprehensive income for the year ended 31 December 2018

	Note	2018		
		Cambodia GAAP US\$	Effect of transition to CIFRSs for SMEs US\$	CIFRSs for SMEs US\$
Operating income				
Interest income	A(ii), C	1,426,207	199,849	1,626,056
Interest expense		(171,617)	-	(171,617)
Net interest income		1,254,590	199,849	1,454,439
Other income	A(ii)	309,850	(224,189)	85,661
Net operating income		1,564,440	(24,340)	1,540,100
Personnel expenses		(528,203)	-	(528,203)
Depreciation and amortisation	C	(35,640)	(485)	(36,125)
Other operating expenses	C	(376,642)	485	(376,157)
Impairment loss allowance on loans to customers	A(i)	(486,824)	119,798	(367,026)
Profit before income tax		137,131	95,458	232,589
Income tax expense		(35,400)	(34,835)	(70,235)
Net profit for the year/Total comprehensive income for the year		101,731	60,623	162,354

A. Financial assets and liabilities

(i) *Restatement of allowance for impairment*

Under Cambodia GAAP, the Company's recognised impairment losses on financial assets based on overdue days. On adoption of CIFRSs for SMEs, the impairment losses are adjusted retrospectively to reflect the incurred loss model.

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

27. Explanation of transition to CIFRSs for SMEs (continued)

A. Financial assets and liabilities (continued)

(i). Restatement of allowance for impairment (continued)

	1 January 2018 US\$	31 December 2018 US\$
Statement of financial position		
Decrease in loans to customers	(547,885)	(340,105)
Related tax effect	<u>109,577</u>	<u>68,021</u>
Adjustment to retained earnings	<u>(438,308)</u>	<u>(272,084)</u>
Adjustment to retained earnings (KHR'000 – Note 5)	<u>(1,769,449)</u>	<u>(1,093,234)</u>
		2018 US\$
Statement of comprehensive income		
Decrease in impairment loss on loans to customers		<u>(119,798)</u>
Adjustment to profit before income tax		<u>(119,798)</u>
Adjustment to profit before income tax (KHR'000 – Note 5)		<u>(484,583)</u>

To comply with NBC regulations, the Company transferred from retained earnings to regulatory reserves amounting to US\$9,347 as at 31 December 2018. See Note 26R.

(ii) Restatement of amortised cost – financial asset and liability, transaction costs and interest

Under Cambodia GAAP, transaction costs, including fees and commission, integral to the financial asset or liability were not considered as effective interest and recognised as expense on occurrence of transactions. Recognition of interest income was suspended when loan become non-performing. In addition, interest receivables/payables are recorded as other assets and other liabilities.

Under CIFRSs for SMEs, a financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue and subsequently measured at their amortised cost using the effective interest method. 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.

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

27. Explanation of transition to CIFRSs for SMEs (continued)

A. Financial assets and liabilities (continued)

(ii) *Restatement of amortised cost – financial asset and liability, transaction costs and interest (continued)*

The impact arising from the change is summarised as follows:

	1 January 2018 US\$	31 December 2018 US\$
Statement of financial position		
Decrease in loans to customers	(146,661)	(180,262)
Related tax effect	<u>29,332</u>	<u>36,052</u>
Adjustment to retained earnings	<u>(117,329)</u>	<u>(144,210)</u>
Adjustment to retained earnings (KHR'000 – Note 5)	<u>(473,657)</u>	<u>(579,436)</u>
		2018 US\$
Statement of comprehensive income		
Increase in interest income		199,849
Decrease in fee and commission income		<u>(224,189)</u>
Adjustment to profit before income tax		<u>(24,340)</u>
Adjustment to profit before income tax (KHR'000 – Note 5)		<u>(98,455)</u>

B. Income tax

The above changes increased the deferred tax assets as follows:

	1 January 2018 US\$	31 December 2018 US\$
Impairment loss allowance	(109,577)	(68,021)
Unearned income	<u>(29,332)</u>	<u>(36,052)</u>
Increase in deferred tax assets – US\$	<u>138,909</u>	<u>104,073</u>
Increase in deferred tax assets – KHR'000 – Note 5	<u>560,776</u>	<u>418,165</u>

C. Reclassification

In addition to above adjustments, the Company made certain reclassification to conform to the current year presentation.

Intean Poalroath Rongroeing Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2019

28. Subsequent event

Impact of Novel Coronavirus Outbreak to the Company

Since January 2020, the outbreak of Novel Coronavirus (“COVID-19”) has impact on the global business environment. Up to the date of this report, COVID-19 has not resulted in material impact to the Company. Pending on the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions for the Company arising thereof may have impact on the financial results of the Company, the extent of which could not be estimated as at the date of this report. The Company will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Company.