

INTEAN POALROATH RONGROEURNG LTD.

**Financial Statements
for the year ended 31 December 2020
and
Report of the Independent Auditors**

Corporate Information

Company	Intean Poalroath Rongroeung Ltd	
Registration No.	00017643	
Registered office	No.779A, Kampuchea Krom Street (128) Sangkat Teuk Laak I, Khan Toul Kork Phnom Penh, Kingdom of Cambodia	
Shareholder	Oknha Phou Puy	
Board of Directors	Oknha Phou Puy Mr. Hsu Ming Yee Mrs. Pok Nivilay Mr. Pech Sany	Chairman Director Director Director (appointed on 1 January 2020)
Management team	Ms. Phou Sovanchan Mr. Hort Bunsong Mr. Hay Kimkhom Mr. Cheng Vanneth Mr. Phouek Covith Mr. Seng Kakada Mr. Kaseab Kasadora	Chief Executive Officer (appointed on 1 January 2021) Chief Executive Officer (resigned on 31 December 2020) Head of Finance and Administration Head of Operation IT Manager (appointed on 24 February 2020) Internal Audit Manager (appointed on 4 May 2020) Head of Internal Audit (resigned on 31 March 2020)
Principal banker	Aceda Bank Plc.	
Auditors	KPMG Cambodia Ltd	

Intean Poalroath Rongroeng Ltd.

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INTEAN POALROATH RONGROEURNG LTD

Address: # 779A, Kampuchea Kraom Blvd, Sangkat Tuek Laak 1, Khan Tuol Kouk, Phnom Penh, Cambodia.
Phone: 023 990 237, Fax: 023 950 211, Email: info@iprmfi.com, Website: www.iprmfi.com

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 2020.

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:

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Profit before income tax	663,902	393,549	2,706,728	1,594,661
Income tax expense	(154,428)	(81,673)	(629,603)	(330,939)
Net profit for the year	<u>509,474</u>	<u>311,876</u>	<u>2,077,125</u>	<u>1,263,722</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.

Assets

Before the financial statements of the Company were prepared, the Board of Directors took reasonable steps to ensure that any 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 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 except for the significant event disclosed in Note 27.

Events since the reporting date

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

The Board of Directors

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

Oknha Phou Puy	Chairman
Mr. Hsu Ming Yee	Director
Mrs. Pok Nivilay	Director
Mr. Pech Sany	Director (appointed on 1 January 2020)

Director's interests

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

	2020		2019	
	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 the 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 2020, 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 39 which, in our opinion, present fairly, in all material respects, the financial position of the Company as at 31 December 2020 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

31 May 2021



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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 2020, 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 39 (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 2020, 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 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 CISAAs, 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**



Guek Teav
Partner

Phnom Penh, Kingdom of Cambodia

31 May 2021

Intean Poalroath Rongroeng Ltd.

Statement of financial position as at 31 December 2020

		31 December		31 December	
	Note	2020	2019	2020	2019
		US\$	US\$	KHR'000	KHR'000
				(Note 5)	(Note 5)
ASSETS					
Cash and cash equivalents	6	1,345,813	1,720,364	5,443,814	7,010,483
Placements with other banks	7	12,500	12,500	50,563	50,938
Statutory deposits	8	154,432	154,432	624,677	629,310
Loans to customers, net	9	6,201,442	5,240,613	25,084,833	21,355,498
Other assets	10	40,988	42,812	165,796	174,459
Property and equipment	11	38,700	25,914	156,542	105,600
Intangible assets	12	-	-	-	-
Deferred tax assets, net	15A	68,169	137,991	275,743	562,313
Total assets		<u>7,862,044</u>	<u>7,334,626</u>	<u>31,801,968</u>	<u>29,888,601</u>
LIABILITIES AND SHAREHOLDER'S EQUITY					
Liabilities					
Borrowings	13	302,000	302,000	1,221,590	1,230,650
Other liabilities	14	18,856	24,827	76,273	101,170
Current income tax liability	15B	54,252	30,337	219,449	123,623
Total liabilities		<u>375,108</u>	<u>357,164</u>	<u>1,517,312</u>	<u>1,455,443</u>
Shareholder's equity					
Share capital	16	3,088,645	3,088,645	12,468,860	12,468,860
Retained earnings		4,398,291	3,872,369	17,782,257	15,638,550
Regulatory reserves	17	-	16,448	-	66,582
Currency translation reserves			-	33,539	259,166
Total shareholder's equity		<u>7,486,936</u>	<u>6,977,462</u>	<u>30,284,656</u>	<u>28,433,158</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		<u>7,862,044</u>	<u>7,334,626</u>	<u>31,801,968</u>	<u>29,888,601</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 2020

	Note	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Operating income					
Interest income	18	1,237,253	1,164,133	5,044,280	4,717,067
Interest expense	19	(28,235)	(47,390)	(115,114)	(192,024)
Net interest income		1,209,018	1,116,743	4,929,166	4,525,043
Other income	20	170,833	269,550	696,486	1,092,217
Net operating income		1,379,851	1,386,293	5,625,652	5,617,260
Personnel expenses	21	(532,649)	(514,256)	(2,171,610)	(2,083,765)
Depreciation and amortisation		(16,552)	(22,909)	(67,483)	(92,827)
Other operating expenses	22	(355,123)	(367,232)	(1,447,836)	(1,488,025)
Reversal of/(impairment loss on) loans to customers	9	188,375	(88,347)	768,005	(357,982)
Profit before income tax		663,902	393,549	2,706,728	1,594,661
Income tax expense	15C	(154,428)	(81,673)	(629,603)	(330,939)
Net profit for the year		509,474	311,876	2,077,125	1,263,722
Other comprehensive (loss)/income					
Currency translation difference		-	-	(225,627)	387,111
Total comprehensive income for the year		509,474	311,876	1,851,498	1,650,833

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 2020

	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 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
	-	-	311,876	1,263,722	-	-	-	387,111	311,876	1,650,833
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>
At 1 January 2020	3,088,645	12,468,860	3,872,369	15,638,550	16,448	66,582	-	259,166	6,977,462	28,433,158
Transaction directly recorded in equity										
Transfer from regulatory reserves to retained earnings	-	-	16,448	66,582	(16,448)	(66,582)	-	-	-	-
Total comprehensive income										
Net profit for the year	-	-	509,474	2,077,125	-	-	-	-	509,474	2,077,125
Currency translation difference	-	-	-	-	-	-	-	(225,627)	-	(225,627)
	-	-	509,474	2,077,125	-	-	-	(225,627)	509,474	1,851,498
At 31 December 2020	<u>3,088,645</u>	<u>12,468,860</u>	<u>4,398,291</u>	<u>17,782,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,539</u>	<u>7,486,936</u>	<u>30,284,656</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 2020

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Cash flows from operating activities				
Net profit for the year	509,474	311,876	2,077,125	1,263,722
<i>Adjustments for:</i>				
Income tax expense	154,428	81,673	629,603	330,939
Interest income	(1,237,253)	(1,164,133)	(5,044,280)	(4,717,067)
Interest expense	28,235	47,390	115,114	192,024
Unrealised gains on foreign exchange	(21,203)	(75,377)	(86,445)	(305,428)
Depreciation and amortisation Property and equipment written offs	16,552	22,909	67,483	92,827
	2,446	2,332	9,972	9,450
(Reversal of)/impairment loss on loans to customers	(188,375)	88,347	(768,005)	357,982
Provision for employee benefits	-	18,009	-	72,972
	<u>(735,696)</u>	<u>(666,974)</u>	<u>(2,999,433)</u>	<u>(2,702,579)</u>
<i>Changes in:</i>				
Loans to customers	(835,789)	452,395	(3,407,512)	1,833,105
Other assets	72,324	56,708	294,865	229,781
Other liabilities	(5,971)	10,139	(24,344)	41,083
	<u>(1,505,132)</u>	<u>(147,732)</u>	<u>(6,136,424)</u>	<u>(598,610)</u>
Interest received	1,251,291	1,238,646	5,101,513	5,018,994
Interest paid	(28,235)	(47,547)	(115,114)	(192,660)
Income tax paid	(60,691)	(13,181)	(247,437)	(53,409)
Payments for employee benefits	-	(18,009)	-	(72,972)
	<u>(342,767)</u>	<u>1,012,177</u>	<u>(1,397,462)</u>	<u>4,101,343</u>
Net cash (used in)/generated from operating activities				
Cash flows from investing activities				
Acquisition of property and equipment	<u>(31,784)</u>	<u>(5,096)</u>	<u>(129,583)</u>	<u>(20,649)</u>
Net cash used in investing activities	<u>(31,784)</u>	<u>(5,096)</u>	<u>(129,583)</u>	<u>(20,649)</u>

Intean Poalroath Rongroeng Ltd.

Statement of cash flows (continued) for the year ended 31 December 2020

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Cash flows from financing activities				
Repayments of borrowings	-	(283,335)	-	(1,148,073)
Net cash used in financing activities	-	(283,335)	-	(1,148,073)
Net (decrease)/increase in cash and cash equivalents	(374,551)	723,746	(1,527,045)	2,932,621
Cash and cash equivalents at 1 January	1,720,364	996,618	7,010,483	4,004,411
Currency translation difference			(39,624)	73,451
Cash and cash equivalents at 31 December (Note 6)	<u>1,345,813</u>	<u>1,720,364</u>	<u>5,443,814</u>	<u>7,010,483</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 2020

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 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, Kampuchea Krom Street (128), Sangkat Teuk Laak I, Khan Toul Kork, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2020, the Company had 76 employees (31 December 2019: 78 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”).

The financial statements of the Company were authorised for issue by the Board of Directors on 31 May 2021.

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

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.

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (Continued) for the year ended 31 December 2020

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 during the year ended 31 December 2020 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 meeting the presentation requirements pursuant to the law on Accounting and Auditing.

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 2020	US\$1	=	KHR4,045	KHR4,077
31 December 2019	US\$1	=	<u>KHR 4,075</u>	<u>KHR 4,052</u>

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

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (Continued) for the year ended 31 December 2020

6. Cash and cash equivalents

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Cash on hand	130,552	84,504	528,083	344,354
Balances with other banks	<u>1,215,261</u>	<u>1,635,860</u>	<u>4,915,731</u>	<u>6,666,129</u>
	<u>1,345,813</u>	<u>1,720,364</u>	<u>5,443,814</u>	<u>7,010,483</u>

7. Placements with other banks

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Term deposits (non-cash equivalents)	<u>12,500</u>	<u>12,500</u>	<u>50,563</u>	<u>50,938</u>

Placements with other banks are further analysed as follows:

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
A. By maturity:				
> 3 to 12 months	<u>12,500</u>	<u>12,500</u>	<u>50,563</u>	<u>50,938</u>
B. By interest rate (per annum):				
		2020		2019
Term deposits		<u>2.50%</u>		<u>2.50%</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (Continued) for the year ended 31 December 2020

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 rate at 0.045% per annum (2019: 0.27% per annum).

9. Loans to customers, net

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Individual loans	5,652,063	5,011,541	22,862,595	20,422,028
Loan to shareholder	631,100	673,500	2,552,800	2,744,513
Loan to related parties	72,226	82,460	292,154	336,025
Staff loans	102,222	44,047	413,488	179,492
	<u>6,457,611</u>	<u>5,811,548</u>	<u>26,121,037</u>	<u>23,682,058</u>
Less: Impairment loss allowance on loans to customers	<u>(256,169)</u>	<u>(570,935)</u>	<u>(1,036,204)</u>	<u>(2,326,560)</u>
	<u><u>6,201,442</u></u>	<u><u>5,240,613</u></u>	<u><u>25,084,833</u></u>	<u><u>21,355,498</u></u>

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

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	570,935	889,750	2,326,560	3,575,016
(Reversal)/Allowance for the year	(188,375)	88,347	(768,005)	357,982
Written off during the year	(126,391)	(407,162)	(515,296)	(1,649,820)
Currency translation difference	-	-	(7,055)	43,382
At 31 December	<u><u>256,169</u></u>	<u><u>570,935</u></u>	<u><u>1,036,204</u></u>	<u><u>2,326,560</u></u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (Continued) for the year ended 31 December 2020

9. Loans to customers, net (continued)

Gross loans to customers were analysed as follows:

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
A. By maturity:				
Within 1 month	368,752	-	1,491,602	-
2 to 3 months	329,179	70,500	1,331,529	287,288
4 to 12 months	2,171,216	1,874,614	8,782,569	7,639,052
Over 12 months	3,588,464	3,866,434	14,515,337	15,755,718
	<u>6,457,611</u>	<u>5,811,548</u>	<u>26,121,037</u>	<u>23,682,058</u>
B. By economic sector:				
Agriculture	3,157,888	2,929,753	12,773,657	11,938,743
Service	26,749	80,580	108,200	328,364
Others	3,272,974	2,801,215	13,239,180	11,414,951
	<u>6,457,611</u>	<u>5,811,548</u>	<u>26,121,037</u>	<u>23,682,058</u>
C. By residency status:				
Residents	<u>6,457,611</u>	<u>5,811,548</u>	<u>26,121,037</u>	<u>23,682,058</u>
D. By relationship:				
External customers	5,652,063	5,011,541	22,862,595	20,422,028
Loan to shareholder	631,100	673,500	2,552,800	2,744,513
Related parties	72,226	82,460	292,154	336,025
Staff loans	102,222	44,047	413,488	179,492
	<u>6,457,611</u>	<u>5,811,548</u>	<u>26,121,037</u>	<u>23,682,058</u>
E. By location:				
Phnom Penh	846,812	826,413	3,425,355	3,367,633
Battambang	2,122,371	1,922,910	8,584,991	7,835,858
Phnom Proek	552,352	488,709	2,234,264	1,991,489
Pursat	919,100	798,178	3,717,760	3,252,576
Takeo	1,001,216	1,007,792	4,049,919	4,106,752
Banteay Meanchey	1,015,760	767,546	4,108,748	3,127,750
	<u>6,457,611</u>	<u>5,811,548</u>	<u>26,121,037</u>	<u>23,682,058</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (Continued) for the year ended 31 December 2020

9. Loans to customers, net (continued)

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

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
F. By currency:				
US Dollars	4,632,945	4,312,719	18,740,263	17,574,330
KHR	717,048	550,459	2,900,459	2,243,120
Thai Baht	1,107,618	948,370	4,480,315	3,864,608
	<u>6,457,611</u>	<u>5,811,548</u>	<u>26,121,037</u>	<u>23,682,058</u>
G. By interest rate (per annum):				
		2020		2019
External customers		14.00%-32.4%		12.00% - 32.4%
Related parties		12%		12%
Staff loans		12%		12%
		<u> </u>		<u> </u>

10. Other assets

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Prepayments	27,693	28,284	112,018	115,257
Other receivables	13,295	14,528	53,778	59,202
	<u>40,988</u>	<u>42,812</u>	<u>165,796</u>	<u>174,459</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2020

11. Property and equipment

2020	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 2020	3,158	12,348	17,261	48,660	81,427		331,815
Additions	24,336	-	471	6,977	31,784		129,583
Written offs	(198)	-	(9,642)	(18,381)	(28,221)		(115,057)
Currency translation difference	-	-	-	-	-		(2,556)
At 31 December 2020	<u>27,296</u>	<u>12,348</u>	<u>8,090</u>	<u>37,256</u>	<u>84,990</u>		<u>343,785</u>
Less: Accumulated depreciation							
At 1 January 2020	2,178	7,204	12,892	33,239	55,513		226,215
Depreciation for the year	1,055	2,470	3,002	10,025	16,552		67,483
Written offs	(198)	-	(9,642)	(15,935)	(25,775)		(105,085)
Currency translation difference	-	-	-	-	-		(1,370)
At 31 December 2020	<u>3,035</u>	<u>9,674</u>	<u>6,252</u>	<u>27,329</u>	<u>46,290</u>		<u>187,243</u>
Carrying amounts							
At 31 December 2020	<u>24,261</u>	<u>2,674</u>	<u>1,838</u>	<u>9,927</u>	<u>38,700</u>		<u>156,542</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2020

11. Property and equipment (continued)

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 offs	(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 offs	(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>980</u>	<u>5,144</u>	<u>4,369</u>	<u>15,421</u>	<u>25,914</u>		<u>105,600</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2020

12. Intangible assets

	Computer software			
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Cost				
At 1 January	6,750	6,750	27,506	27,122
Currency translation difference	-	-	(202)	384
At 31 December	<u>6,750</u>	<u>6,750</u>	<u>27,304</u>	<u>27,506</u>
Less: Accumulated amortisation				
At 1 January	6,750	6,346	27,506	25,499
Amortisation for the year	-	404	-	1,637
Currency translation difference	-	-	(202)	370
At 31 December	<u>6,750</u>	<u>6,750</u>	<u>27,304</u>	<u>27,506</u>
Carrying amounts				
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

13. Borrowings

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Related party	<u>302,000</u>	<u>302,000</u>	<u>1,221,590</u>	<u>1,230,650</u>

Borrowings were analysed as follows:

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
A. Related party:				
1 to 5 years	<u>302,000</u>	<u>302,000</u>	<u>1,221,590</u>	<u>1,230,650</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2020

13. Borrowings (continued)

	2020	2019
B. By interest rate (per annum)		
US Dollars	<u>9.41%</u>	<u>9.41%</u>

14. Other liabilities

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Other taxes payable	5,100	3,606	20,630	14,694
Other payables	<u>13,756</u>	<u>21,221</u>	<u>55,643</u>	<u>86,476</u>
	<u>18,856</u>	<u>24,827</u>	<u>76,273</u>	<u>101,170</u>

15. Income tax

A. Deferred tax assets, net

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Deferred tax assets, net	<u>68,169</u>	<u>137,991</u>	<u>275,743</u>	<u>562,313</u>

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

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Allowance for impairment	33,816	93,238	136,785	379,945
Unearned income	29,848	35,331	120,735	143,973
Accelerated depreciation	4,505	4,074	18,223	16,602
Unrealised exchange loss	<u>-</u>	<u>5,348</u>	<u>-</u>	<u>21,793</u>
	<u>68,169</u>	<u>137,991</u>	<u>275,743</u>	<u>562,313</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2020

15. Income tax (continued)

A. Deferred tax assets, net (continued)

Movements of deferred tax assets were as follows:

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	137,991	159,670	562,313	641,554
Recognised in profit or loss	(69,822)	(21,679)	(284,664)	(87,843)
Currency translation difference	-	-	(1,906)	8,602
At 31 December	<u>68,169</u>	<u>137,991</u>	<u>275,743</u>	<u>562,313</u>

B. Current income tax liability

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	30,337	(16,476)	123,623	(66,201)
Recognised in profit or loss	66,664	59,994	271,789	243,096
Under provision in prior year	17,942	-	73,150	-
Income tax paid	(60,691)	(13,181)	(247,437)	(53,409)
Currency translation difference	-	-	(1,676)	137
At 31 December	<u>54,252</u>	<u>30,337</u>	<u>219,449</u>	<u>123,623</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

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Current income tax	66,664	59,994	271,789	243,096
Under provision in prior year	17,942	-	73,150	-
Deferred tax	<u>69,822</u>	<u>21,679</u>	<u>284,664</u>	<u>87,843</u>
Income tax expense	<u>154,428</u>	<u>81,673</u>	<u>629,603</u>	<u>330,939</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2020

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:

	2020			2019		
	US\$	KHR'000 (Note 5)	%	US\$	KHR'000 (Note 5)	%
Profit before income tax	<u>663,902</u>	<u>2,706,728</u>		<u>393,549</u>	<u>1,594,661</u>	
Income tax using statutory rate at 20%	132,780	541,344	20%	78,710	318,932	20%
Non-deductible expenses	3,706	15,109	1%	2,963	12,007	1%
Under provision in prior year	<u>17,942</u>	<u>73,150</u>	-	-	-	-
Income tax expense	<u>154,428</u>	<u>629,603</u>	21%	<u>81,673</u>	<u>330,939</u>	21%

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 2020

16. Share capital

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 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 the provision calculated in accordance with CIFRS for SMEs and regulatory provision in accordance with National Bank of Cambodia.

18. Interest income

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Loans to customers	1,236,501	1,162,847	5,041,214	4,711,856
Placement with banks	<u>752</u>	<u>1,286</u>	<u>3,066</u>	<u>5,211</u>
	<u>1,237,253</u>	<u>1,164,133</u>	<u>5,044,280</u>	<u>4,717,067</u>

19. Interest expense

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Borrowings	<u>28,235</u>	<u>47,390</u>	<u>115,114</u>	<u>192,024</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2020

20. Other income

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Recovery from loan previously written off	98,357	160,343	401,001	649,710
Foreign exchange gains	21,203	75,377	86,445	305,428
Other income	51,273	33,830	209,040	137,079
	<u>170,833</u>	<u>269,550</u>	<u>696,486</u>	<u>1,092,217</u>

21. Personnel expenses

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Salaries	504,038	481,249	2,054,963	1,950,020
Employee benefits-seniority payments	26,809	18,009	109,300	72,972
Training expenses	1,802	5,533	7,347	22,420
Others	-	9,465	-	38,353
	<u>532,649</u>	<u>514,256</u>	<u>2,171,610</u>	<u>2,083,765</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2020

22. Other operating expenses

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Rental expenses	87,222	87,798	355,604	355,757
Board of Directors' fees	67,500	53,000	275,198	214,756
Professional fee	59,444	63,321	242,353	256,577
Fuel and vehicle operating expenses	26,410	30,664	107,674	124,251
Communication expenses	16,243	16,735	66,223	67,810
Utility expenses	15,729	15,701	64,127	63,620
Travel and transportation expenses	15,345	27,125	62,562	109,911
Insurance expenses	10,017	10,016	40,839	40,585
Low value assets	7,917	2,979	32,278	12,071
Printing and stationery expenses	6,967	5,099	28,404	20,661
Entertainment expenses	3,505	9,133	14,290	37,007
Repairs and maintenance expenses	3,486	458	14,212	1,856
Subscription fees	3,415	3,447	13,923	13,967
Bank charges	1,961	2,876	7,995	11,654
Marketing and advertisement expenses	844	5,268	3,441	21,346
Penalties	-	1,230	-	4,984
Other expenses	29,118	32,382	118,713	131,212
	<u>355,123</u>	<u>367,232</u>	<u>1,447,836</u>	<u>1,488,025</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 2020

23. Related parties (continued)

B. Transactions and balances with related parties.

(i) Related party transactions

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Interest income	87,608	50,881	357,178	207,341
Interest expense	<u>28,235</u>	<u>28,235</u>	<u>115,114</u>	<u>114,409</u>

(ii) Key management personnel compensation

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Salaries and benefits	198,653	197,376	809,908	799,768
Board of Director's fee	<u>67,500</u>	<u>53,000</u>	<u>275,198</u>	<u>214,756</u>
	<u>266,153</u>	<u>250,376</u>	<u>1,085,106</u>	<u>1,014,524</u>

(iii) Related party balances

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Loan to shareholder (Note 9)	631,100	673,500	2,552,800	2,744,513
Loans to related parties (Note 9)	72,226	82,460	292,154	336,025
Borrowings (Note 13)	<u>302,000</u>	<u>302,000</u>	<u>1,221,590</u>	<u>1,230,650</u>

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2020

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	
	2020	2019	2020	2019
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Within 1 year	14,167	91,302	57,306	372,056
1 to 5 years	150,001	41,305	606,754	168,318
	<u>164,168</u>	<u>132,607</u>	<u>664,060</u>	<u>540,374</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.

On 8 April 2020, the Department of Enterprise Audit (DEA) of the General Department of Taxation ("GDT") issued a tax notification on the comprehensive tax audit for the period from 1 January 2017 to 31 December 2019. Up to the reporting date, the findings on comprehensive tax audit has not been issued by GDT yet.

25. Fair values of financial assets and liabilities

Fair values have been based on management assumptions according to the profile of the asset and liability base and the accounting policies set out in Note 26G (vi) and (vii). 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 2020

26. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise stated.

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 2020

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 2020

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.

(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.

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2020

26. Significant accounting policies (continued)

G. Financial assets and financial liabilities (continued)

(vi) Fair value measurement

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

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

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

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

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

(vii) Identification and measurement of impairment

Objective evidence of impairment

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

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2020

26. Significant accounting policies (continued)

G. Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Objective evidence of impairment (continued)

Objective evidence that financial assets are impaired includes:

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

Individual and collective assessment

All individually significant assets are individually assessed for impairment.

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

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

A collective component of the total allowance is established for:

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

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2020

26. Significant accounting policies (continued)

G. Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Individual and collective assessment (continued)

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. The subsequent recovery of the written-off loan is recognised as other income in profit or loss upon incurred.

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.

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2020

26. Significant accounting policies (continued)

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

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.

(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.

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2020

26. Significant accounting policies (continued)

L. Property and equipment (continued)

- (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.

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.

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2020

26. Significant accounting policies (continued)

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.

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%

Intean Poalroath Rongroeng Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2020

26. Significant accounting policies (continued)

R. Regulatory reserves (continued)

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 account.

27. Significant event during the year including event since reporting date

The Novel Coronavirus (COVID-19) outbreak has spread globally causing disruption to business and economic activity. For the purpose of preserving the financial stability and reduce the burden of the borrowers who are losing their primary incomes and facing difficulties in repayment during the impact of the COVID-19 pandemic, the Company work constructively with affected borrowers and allows for loan restructuring. Loan restructuring is carried out by the Company's lending team which regularly conduct a portfolio review of affected borrowers to measure the impact on their financial conditions during the pandemic.

Management provides its best estimate on the possible outcomes of COVID-19 on the loss allowance, however, this estimate may move materially as events unfold. 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.