

INTEAN POALROATH RONGROEURNG LTD

**Financial Statements
for the year ended 31 December 2021
and
Report of the Independent Auditors**

Corporate Information

Company	Intean Poalroath Rongroeung Ltd	
Registration No.	00017643	
Registered office	No.72B, Street 317, Phum 6 Sangkat Boeng Kok II, 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
Management team	Ms. Phou Sovanchan Mr. Hay Kimkhom Mr. Cheng Vanneth Mr. Phouek Covith Mr. Seng Kakada	Chief Executive Officer Head of Finance and Administration Head of Operation IT Manager Internal Audit Manager
Principal banker	Aceda Bank Plc.	
Auditors	KPMG Cambodia Ltd	

Intean Poalroath Rongroeng 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 2021.

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:

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Profit before income tax	195,218	663,902	794,146	2,706,728
Income tax expense	(42,485)	(154,428)	(172,829)	(629,603)
Net profit for the year	<u>152,733</u>	<u>509,474</u>	<u>621,317</u>	<u>2,077,125</u>

Share capital

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

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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 26.

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

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:

	2021		2020	
	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 Rongroeuung 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 2021, 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 38 which, in our opinion, present fairly, in all material respects, the financial position of the Company as at 31 December 2021 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

29 April 2022



KPMG Cambodia Ltd
GIA Tower, Sopheap Mongkul Street, Phum 14
Sangkat Tonle Bassac, Khan Chamkar Mon
Phnom Penh, Cambodia
+ 855 (17) 666 537 / + 855 (81) 533 999 | kpmg.com.kh

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 2021, 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 38 (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 2021, 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 CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of 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**



Guek Teav
Partner

Phnom Penh, Kingdom of Cambodia

29 April 2022

Intean Poalroath Rongroeng Ltd.

Statement of financial position as at 31 December 2021

	Note	31 December		31 December	
		2021	2020	2021	2020
		US\$	US\$	KHR'000	KHR'000
				(Note 5)	(Note 5)
ASSETS					
Cash and cash equivalents	6	1,125,713	1,345,813	4,586,155	5,443,814
Placements with other banks	7	12,500	12,500	50,925	50,563
Statutory deposits	8	154,432	154,432	629,156	624,677
Loans to customers, net	9	6,563,105	6,201,442	26,738,090	25,084,833
Other assets	10	30,761	40,988	125,320	165,796
Property and equipment	11	36,051	38,700	146,872	156,542
Deferred tax assets, net	14A	106,008	68,169	431,877	275,743
TOTAL ASSETS		<u>8,028,570</u>	<u>7,862,044</u>	<u>32,708,395</u>	<u>31,801,968</u>
LIABILITIES AND SHAREHOLDER'S EQUITY					
LIABILITIES					
Borrowings	12	301,875	302,000	1,229,839	1,221,590
Other liabilities	13	18,965	18,856	77,264	76,273
Current income tax liability	14B	68,061	54,252	277,280	219,449
TOTAL LIABILITIES		<u>388,901</u>	<u>375,108</u>	<u>1,584,383</u>	<u>1,517,312</u>
SHAREHOLDER'S EQUITY					
Share capital	15	3,088,645	3,088,645	12,468,860	12,468,860
Retained earnings		4,551,024	4,398,291	18,403,574	17,782,257
Regulatory reserves	16	-	-	-	-
Currency translation reserves		-	-	251,578	33,539
TOTAL SHAREHOLDER'S EQUITY		<u>7,639,669</u>	<u>7,486,936</u>	<u>31,124,012</u>	<u>30,284,656</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		<u>8,028,570</u>	<u>7,862,044</u>	<u>32,708,395</u>	<u>31,801,968</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 2021

	Note	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Operating income					
Interest income	17	1,239,109	1,237,253	5,040,695	5,044,280
Interest expense	18	<u>(28,382)</u>	<u>(28,235)</u>	<u>(115,458)</u>	<u>(115,114)</u>
Net interest income		1,210,727	1,209,018	4,925,237	4,929,166
Other operating income	19	<u>184,270</u>	<u>170,833</u>	<u>749,610</u>	<u>696,486</u>
Net operating income		1,394,997	1,379,851	5,674,847	5,625,652
Personnel expenses	20	(541,216)	(532,649)	(2,201,667)	(2,171,610)
Depreciation	11	(14,222)	(16,552)	(57,855)	(67,483)
Other operating expenses	21	(514,690)	(355,123)	(2,093,759)	(1,447,836)
(Impairment loss)/reversal of allowance for finance assets	9,10	<u>(129,651)</u>	<u>188,375</u>	<u>(527,420)</u>	<u>768,005</u>
Profit before income tax		195,218	663,902	794,146	2,706,728
Income tax expense	14C	<u>(42,485)</u>	<u>(154,428)</u>	<u>(172,829)</u>	<u>(629,603)</u>
Net profit for the year		<u>152,733</u>	<u>509,474</u>	<u>621,317</u>	<u>2,077,125</u>
Other comprehensive income/(loss)					
Currency translation difference		<u>-</u>	<u>-</u>	<u>218,039</u>	<u>(225,627)</u>
Total comprehensive income for the year		<u>152,733</u>	<u>509,474</u>	<u>839,356</u>	<u>1,851,498</u>

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

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Statement of changes in equity for the year ended 31 December 2021

	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 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>
At 1 January 2021	3,088,645	12,468,860	4,398,291	17,782,257	-	-	-	33,539	7,486,936	30,284,656
Total comprehensive income										
Net profit for the year	-	-	152,733	621,317	-	-	-	-	152,733	621,317
Currency translation difference	-	-	-	-	-	-	-	218,039	-	218,039
	-	-	152,733	621,317	-	-	-	218,039	152,733	839,356
At 31 December 2021	<u>3,088,645</u>	<u>12,468,860</u>	<u>4,551,024</u>	<u>18,403,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,578</u>	<u>7,639,669</u>	<u>31,124,012</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 2021

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Cash flows from operating activities				
Net profit for the year	152,733	509,474	621,317	2,077,125
<i>Adjustments for:</i>				
Income tax expense	42,485	154,428	172,829	629,603
Interest income	(1,239,109)	(1,237,253)	(5,040,695)	(5,044,280)
Interest expense	28,382	28,235	115,458	115,114
Unrealised gains on foreign exchange	(5,068)	(21,203)	(20,617)	(86,445)
Depreciation	14,222	16,552	57,855	67,483
Property and equipment written offs	-	2,446	-	9,972
Impairment loss/(reversal of) allowance for financial assets	129,651	(188,375)	527,420	(768,005)
	<u>(876,704)</u>	<u>(735,696)</u>	<u>(3,566,433)</u>	<u>(2,999,433)</u>
<i>Changes in:</i>				
Loans to customers	(448,484)	(835,789)	(1,824,433)	(3,407,512)
Other assets	(28,481)	72,324	(115,861)	294,865
Other liabilities	109	(5,971)	443	(24,344)
	<u>(1,353,560)</u>	<u>(1,505,132)</u>	<u>(5,506,284)</u>	<u>(6,136,424)</u>
Interest received	1,240,055	1,251,291	5,044,544	5,101,513
Interest paid	(28,507)	(28,235)	(115,966)	(115,114)
Income tax paid	(66,515)	(60,691)	(270,583)	(247,437)
Net cash used in operating activities	<u>(208,527)</u>	<u>(342,767)</u>	<u>(848,289)</u>	<u>(1,397,462)</u>
Cash flows from investing activities				
Acquisition of property and equipment	(11,573)	(31,784)	(47,079)	(129,583)
Net cash used in investing activities	<u>(11,573)</u>	<u>(31,784)</u>	<u>(47,079)</u>	<u>(129,583)</u>
Net decrease in cash and cash equivalents	(220,100)	(374,551)	(895,368)	(1,527,045)
Cash and cash equivalents at 1 January	1,345,813	1,720,364	5,443,814	7,010,483
Currency translation difference	-	-	37,709	(39,624)
Cash and cash equivalents at 31 December (Note 6)	<u>1,125,713</u>	<u>1,345,813</u>	<u>4,586,155</u>	<u>5,443,814</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 2021

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 (“MOC”) 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 original registered office of the Company was located at No. 779A, Kampuchea Krom Street (128), Sangkat Teuk Laak I, Khan Toul Kork, Phnom Penh, Kingdom of Cambodia. Subsequently, the registered office of the Company was changed to No. 72B, Street 317, Phum 6, Sangkat Boeng Kok II, Khan Toul Kork, Phnom Penh, Kingdom of Cambodia. The amendment to the Memorandum and Articles of Association has been approved by the MOC on 25 February 2022.

As at 31 December 2021, the Company had 72 employees (31 December 2020: 76 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 29 April 2022.

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

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.

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Notes to the financial statements (continued) for the year ended 31 December 2021

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 2021 is set out below in relation to the impairment of financial instruments:

- Note 25G(vii) – Identification and measurement of impairment.

5. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollar which is the Company’s functional currency. The translations of United States Dollars amounts into Khmer Riel (“KHR”) meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in compliance with Section 30 – Foreign Currency Translation.

Assets and liabilities are translated at the closing rate as at the reporting date and share capital and other equity accounts are translated at the historical rate. The statements of comprehensive income and cash flows are translated into KHR at the average rate for the year, which have been deemed to approximate the exchange rates at the date of transaction as exchange rates have not fluctuated significantly during the period. Exchange differences arising from the translation are recognised as “Currency Translation Reserves” in other comprehensive income.

			Closing rate	Average rate
31 December 2021	US\$1	=	KHR4,074	KHR4,068
31 December 2020	US\$1	=	<u>KHR4,045</u>	<u>KHR4,077</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 2021

6. Cash and cash equivalents

	31 December		31 December	
	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Cash on hand	71,169	130,552	289,943	528,083
Balances with other banks	<u>1,054,544</u>	<u>1,215,261</u>	<u>4,296,212</u>	<u>4,915,731</u>
	<u>1,125,713</u>	<u>1,345,813</u>	<u>4,586,155</u>	<u>5,443,814</u>

7. Placements with other banks

	31 December		31 December	
	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Term deposits (non-cash equivalents)	<u>12,500</u>	<u>12,500</u>	<u>50,925</u>	<u>50,563</u>

Placements with other banks are further analysed as follows:

	31 December		31 December	
	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
A. By maturity:				
> 3 to 12 months	<u>12,500</u>	<u>12,500</u>	<u>50,925</u>	<u>50,563</u>
B. By interest rate (per annum):				
	2021		2020	
Term deposits	<u>2.00%</u>		<u>2.50%</u>	

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

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% (2020: 0.045%) per annum.

9. Loans to customers, net

	31 December		31 December	
	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Individual loans	6,116,245	5,652,063	24,917,582	22,862,595
Loan to shareholder	601,800	631,100	2,451,733	2,552,800
Loan to related parties	32,008	72,226	130,401	292,154
Staff loans	58,031	102,222	236,418	413,488
	<u>6,808,084</u>	<u>6,457,611</u>	<u>27,736,134</u>	<u>26,121,037</u>
Less: Impairment loss allowance on loans to customers	<u>(244,979)</u>	<u>(256,169)</u>	<u>(998,044)</u>	<u>(1,036,204)</u>
	<u>6,563,105</u>	<u>6,201,442</u>	<u>26,738,090</u>	<u>25,084,833</u>

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

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	256,169	570,935	1,036,204	2,326,560
Addition/(reversal) for the year	90,943	(188,375)	369,956	(768,005)
Written off during the year	(102,133)	(126,391)	(415,477)	(515,296)
Currency translation difference	-	-	7,361	(7,055)
At 31 December	<u>244,979</u>	<u>256,169</u>	<u>998,044</u>	<u>1,036,204</u>

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

9. Loans to customers, net (continued)

Gross loans to customers were analysed as follows:

	31 December		31 December	
	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
A. By maturity:				
Within 1 month	424,975	368,752	1,731,348	1,491,602
2 to 3 months	489,674	329,179	1,994,932	1,331,529
4 to 12 months	2,370,866	2,171,216	9,658,908	8,782,569
Over 12 months	3,522,569	3,588,464	14,350,946	14,515,337
	<u>6,808,084</u>	<u>6,457,611</u>	<u>27,736,134</u>	<u>26,121,037</u>
B. By economic sector:				
Agriculture	2,779,268	3,157,888	11,322,738	12,773,657
Service	-	26,749	-	108,200
Others	4,028,816	3,272,974	16,413,396	13,239,180
	<u>6,808,084</u>	<u>6,457,611</u>	<u>27,736,134</u>	<u>26,121,037</u>
C. By residency status:				
Residents	<u>6,808,084</u>	<u>6,457,611</u>	<u>27,736,134</u>	<u>26,121,037</u>
D. By relationship:				
External customers	6,116,245	5,652,063	24,917,582	22,862,595
Shareholder	601,800	631,100	2,451,733	2,552,800
Related parties	32,008	72,226	130,401	292,154
Staff loans	58,031	102,222	236,418	413,488
	<u>6,808,084</u>	<u>6,457,611</u>	<u>27,736,134</u>	<u>26,121,037</u>
E. By location:				
Phnom Penh	691,840	846,812	2,818,556	3,425,355
Battambang	2,323,715	2,122,371	9,466,815	8,584,991
Phnom Proek	695,892	552,352	2,835,064	2,234,264
Pursat	1,168,542	919,100	4,760,640	3,717,760
Takeo	800,136	1,001,216	3,259,754	4,049,919
Banteay Meanchey	1,127,959	1,015,760	4,595,305	4,108,748
	<u>6,808,084</u>	<u>6,457,611</u>	<u>27,736,134</u>	<u>26,121,037</u>

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

9. Loans to customers, net (continued)

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

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
F. By currency:				
US Dollars	4,944,756	4,632,945	20,144,936	18,740,263
KHR	768,614	717,048	3,131,333	2,900,459
Thai Baht	1,094,714	1,107,618	4,459,865	4,480,315
	<u>6,808,084</u>	<u>6,457,611</u>	<u>27,736,134</u>	<u>26,121,037</u>

G. By interest rate (per annum):

	2021	2020
External customers	13.2%-18%	14.00%-32.4%
Related parties	12%	12%
Staff loans	<u>12%</u>	<u>12%</u>

10. Other assets

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Prepayments	23,104	27,693	94,126	112,018
Other receivables	<u>46,365</u>	<u>13,295</u>	<u>188,891</u>	<u>53,778</u>
Other assets at amortised cost	69,469	40,988	283,017	165,796
Less: allowance for impairment loss	<u>(38,708)</u>	<u>-</u>	<u>(157,697)</u>	<u>-</u>
	<u>30,761</u>	<u>40,988</u>	<u>125,320</u>	<u>165,796</u>

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

11. Property and equipment

2021	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 2021	27,296	12,348	8,090	37,256	84,990		343,785
Additions	3,770	-	1,722	6,081	11,573		47,079
Written offs	(2,746)	-	(6,384)	(23,426)	(32,556)		(132,438)
Currency translation difference	-	-	-	-	-		2,339
At 31 December 2021	<u>28,320</u>	<u>12,348</u>	<u>3,428</u>	<u>19,911</u>	<u>64,007</u>		<u>260,765</u>
Less: Accumulated depreciation							
At 1 January 2021	3,035	9,674	6,252	27,329	46,290		187,243
Depreciation for the year	5,194	2,470	1,356	5,202	14,222		57,855
Written offs	(2,746)	-	(6,384)	(23,426)	(32,556)		(132,438)
Currency translation difference	-	-	-	-	-		1,233
At 31 December 2021	<u>5,483</u>	<u>12,144</u>	<u>1,224</u>	<u>9,105</u>	<u>27,956</u>		<u>113,893</u>
Carrying amounts							
At 31 December 2021	<u><u>22,837</u></u>	<u><u>204</u></u>	<u><u>2,204</u></u>	<u><u>10,806</u></u>	<u><u>36,051</u></u>		<u><u>146,872</u></u>

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

11. Property and equipment (continued)

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 2021

12. Borrowings

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Related party	<u>301,875</u>	<u>302,000</u>	<u>1,229,839</u>	<u>1,221,590</u>

Borrowings were analysed as follows:

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
A. Related party:				
1 to 5 years	<u>301,875</u>	<u>302,000</u>	<u>1,229,839</u>	<u>1,221,590</u>
	2021		2020	
B. By interest rate (per annum):				
US Dollars	<u>8.82%</u>		<u>9.41%</u>	

13. Other liabilities

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Other taxes payable	6,050	5,100	24,648	20,630
Other payables	<u>12,915</u>	<u>13,756</u>	<u>52,616</u>	<u>55,643</u>
	<u>18,965</u>	<u>18,856</u>	<u>77,264</u>	<u>76,273</u>

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

14. Income tax

A. Deferred tax assets, net

	31 December		31 December	
	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Deferred tax assets, net	<u>106,008</u>	<u>68,169</u>	<u>431,877</u>	<u>275,743</u>

Deferred tax assets were attributable to the following:

	31 December		31 December	
	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Allowance for impairment	44,544	33,816	181,472	136,785
Unearned income	29,785	29,848	121,344	120,735
Accelerated depreciation	4,655	4,505	18,965	18,223
Unrealised exchange loss	<u>27,024</u>	<u>-</u>	<u>110,096</u>	<u>-</u>
	<u>106,008</u>	<u>68,169</u>	<u>431,877</u>	<u>275,743</u>

Movements of deferred tax assets were as follows:

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	68,169	137,991	275,743	562,313
Recognised in profit or loss	37,839	(69,822)	153,929	(284,664)
Currency translation difference	<u>-</u>	<u>-</u>	<u>2,205</u>	<u>(1,906)</u>
At 31 December	<u>106,008</u>	<u>68,169</u>	<u>431,877</u>	<u>275,743</u>

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

14. Income tax (continued)

B. Current income tax liability

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	54,252	30,337	219,449	123,623
Recognised in profit or loss	80,324	66,664	326,758	271,789
Under provision in prior year	-	17,942	-	73,150
Income tax paid	(66,515)	(60,691)	(270,583)	(247,437)
Currency translation difference	-	-	1,656	(1,676)
At 31 December	<u>68,061</u>	<u>54,252</u>	<u>277,280</u>	<u>219,449</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

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Current income tax	80,324	66,664	326,758	271,789
Under provision in prior year	-	17,942	-	73,150
Deferred tax	<u>(37,839)</u>	<u>69,822</u>	<u>(153,929)</u>	<u>284,664</u>
Income tax expense	<u>42,485</u>	<u>154,428</u>	<u>172,829</u>	<u>629,603</u>

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

14. 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:

	2021			2020		
	US\$	KHR'000	%	US\$	KHR'000	%
Profit before income tax	<u>195,218</u>	<u>794,146</u>		<u>663,902</u>	<u>2,706,728</u>	
Income tax using statutory rate at 20%	39,044	158,831	20%	132,780	541,344	20%
Non-deductible expenses	3,441	13,998	1%	3,706	15,109	1%
Under provision in prior year	-	-	-	17,942	73,150	3%
Income tax expense	<u>42,485</u>	<u>172,829</u>	<u>21%</u>	<u>154,428</u>	<u>629,603</u>	<u>24%</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 2021

15. Share capital

	31 December		31 December	
	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 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>

16. 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.

17. Interest income

	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Loans to customers	1,236,526	1,236,501	5,030,188	5,041,214
Placement with banks	<u>2,583</u>	<u>752</u>	<u>10,507</u>	<u>3,066</u>
	<u>1,239,109</u>	<u>1,237,253</u>	<u>5,040,695</u>	<u>5,044,280</u>

18. Interest expense

	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Borrowings	<u>28,382</u>	<u>28,235</u>	<u>115,458</u>	<u>115,114</u>

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

19. Other operating income

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Recovery from loan previously written off	151,554	98,357	616,522	401,001
Foreign exchange gains	5,068	21,203	20,617	86,445
Other income	27,648	51,273	112,471	209,040
	<u>184,270</u>	<u>170,833</u>	<u>749,610</u>	<u>696,486</u>

20. Personnel expenses

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Salaries	507,861	504,038	2,065,979	2,054,963
Employee benefits-seniority payments	31,894	26,809	129,745	109,300
Training expenses	1,461	1,802	5,943	7,347
	<u>541,216</u>	<u>532,649</u>	<u>2,201,667</u>	<u>2,171,610</u>

21. Other operating expenses

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Rental expenses	84,544	87,222	343,925	355,604
Board of Directors' fees	68,000	67,500	276,624	275,198
Professional fee	61,277	59,444	249,275	242,353
Consulting fee	30,000	-	122,040	-
Fuel and vehicle operating expenses	25,993	26,410	105,740	107,674
Communication expenses	16,225	16,243	66,003	66,223
Utility expenses	15,110	15,729	61,467	64,127
Travel and transportation expenses	10,274	15,345	41,795	62,562
Insurance expenses	9,842	10,017	40,037	40,839
Sub total	<u>321,265</u>	<u>297,910</u>	<u>1,306,906</u>	<u>1,214,580</u>

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

21. Other operating expenses (continued)

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Low value assets	4,283	7,917	17,423	32,278
Printing and stationery expenses	6,557	6,967	26,674	28,404
Entertainment expenses	2,381	3,505	9,686	14,290
Repairs and maintenance expenses	1,124	3,486	4,572	14,212
Subscription fees	2,000	3,415	8,136	13,923
Bank charges	1,000	1,961	4,068	7,995
Marketing and advertisement expenses	686	844	2,791	3,441
Unrealised foreign exchange losses	135,119	-	549,664	-
Other expenses	40,275	29,118	163,839	118,713
Sub total	<u>193,425</u>	<u>57,213</u>	<u>786,853</u>	<u>233,256</u>
Total	<u>514,690</u>	<u>355,123</u>	<u>2,093,759</u>	<u>1,447,836</u>

22. 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 15
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).

B. Transactions and balances with related parties

(i) Related party transactions

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Interest income	53,734	87,608	218,590	357,178
Interest expense	<u>28,382</u>	<u>28,235</u>	<u>115,458</u>	<u>115,114</u>

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

22. Related parties (continued)

B. Transactions and balances with related parties (continued)

(ii) Key management personnel compensation

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Salaries and benefits	194,205	198,653	790,026	809,908
Board of Director's fee (Note 21)	68,000	67,500	276,624	275,198
	<u>262,205</u>	<u>266,153</u>	<u>1,066,650</u>	<u>1,085,106</u>

(iii) Related party balances

	31 December		31 December	
	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Loan to shareholder (Note 9)	601,800	631,100	2,451,733	2,552,800
Loans to related parties (Note 9)	32,008	72,226	130,401	292,154
Borrowings (Note 12)	<u>301,875</u>	<u>302,000</u>	<u>1,229,839</u>	<u>1,221,590</u>

The term and condition of loans and borrowings are disclosed in Notes 9 and 12 respectively.

23. 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	
	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Within 1 year	56,400	14,167	229,774	57,306
1 to 5 years	163,311	150,001	665,329	606,754
Over 5 years	25,045	-	102,033	-
	<u>244,756</u>	<u>164,168</u>	<u>997,136</u>	<u>664,060</u>

Intean Poalroath Rongroeung Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

23. Commitments and contingencies (continued)

B. Tax contingencies

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

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 comprehensive tax reassessment results have not been issued by GDT yet.

24. 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.

25. Significant accounting policies

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

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

25. Significant accounting policies (continued)

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.

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.

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

25. Significant accounting policies (continued)

F. Income tax (continued)

(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.

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*.

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

25. Significant accounting policies (continued)

G. Financial assets and financial liabilities (continued)

(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 expired.

(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.

(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.

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

25. Significant accounting policies (continued)

G. Financial assets and financial liabilities (continued)

(vi) Fair value measurement (continued)

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.

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.

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

25. Significant accounting policies (continued)

G. Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Individual and collective assessment

All individually significant assets are individually assessed for impairment.

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

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

A collective component of the total allowance is established for:

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

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

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

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.

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

25. Significant accounting policies (continued)

G. Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

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.

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.

Statutory deposits are stated at cost in the statement of financial position.

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

25. Significant accounting policies (continued)

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

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.

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

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.

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.

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

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

25. Significant accounting policies (continued)

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.

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.

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

25. Significant accounting policies (continued)

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%

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.

Intean Poalroath Rongroeng Ltd

Notes to the financial statements (continued) for the year ended 31 December 2021

25. Significant accounting policies (continued)

R. Regulatory reserves (continued)

The regulatory reserves are not an item to be included in the calculated of the Institution's net worth.

On 28 December 2021, the NBC issued a new Circular, No. B7-021-2314 CL on Classification and Provisioning Requirement on Restructured Loans, which aims at phasing out the forbearance period for the existing restructured loans and phasing the classification and provisioning arrangements complying with the current regulation, Prakas No. B7-017-344 dated 01 December 2017 on Credit Risk Grading and Impairment Provisioning. In this regard, all restructured loans by 31 December 2021 shall be classified and provisioned based on the requirements under this circular. For loans that were still in the assessment period, they shall be kept at the same classification as before the restructured terms of contract.

Following the NBC's workshop on "the Circular on Classification and Provisioning Requirement for Restructured Loans" held on 18 January 2022, the NBC issued a communication on 4 February 2022 allowing banking and financial institutions ("BFIs") to defer the implementation of the new Circular until January 2022 onward though early adoption is encouraged. The Company chose to defer the implementation of the new Circular in preparing the financial statements for the year ended 31 December 2021.

26. 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.