

CAMMA MICROFINANCE LIMITED

Report of the Board of Directors
and
Audited financial statements in accordance with
Cambodian International Financial Reporting Standard for
Small and Medium-sized Entities

as at 31 December 2020 and for the year then ended

CAMMA Microfinance Limited

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CAMMA Microfinance Limited

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of CAMMA Microfinance Limited (“the Company”) presents its report and the Company’s financial statements as at 31 December 2020 and for the year then ended.

THE COMPANY

The Company is a licensed microfinance institution incorporated in the Kingdom of Cambodia and registered with the Ministry of Commerce (“MoC”) as a limited liability company under the Registration No. Co. 0700 KH/2010 dated 6 April 2010. The Company obtained a license from the National Bank of Cambodia (“NBC”) to operate micro-finance services on 29 July 2010.

The Company’s vision is to become a reliable microfinance institution that provides inclusive and innovative financial service to Cambodian and ensure benefit for clients, staffs, shareholders, and society as whole.

The Company’s principal activity is to provide innovative and impactful financial service to communities and small and medium enterprises in an efficient, sustainable, and responsible manner.

The Company’s registered office is located at No.101A, Street 289, Sangkat Boeng Kak I, Khan Toul Kok, Phnom Penh, Cambodia.

FINANCIAL RESULTS

The financial performance of the Company is set out in the statement of comprehensive income.

PAID-UP CAPITAL

There were no movements in the paid-up capital of the Company during the year.

DIVIDENDS

No dividends were declared during the year.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL LOANS AND ADVANCES TO CUSTOMERS

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

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

CAMMA Microfinance Limited

REPORT OF THE BOARD OF DIRECTORS (continued)

CURRENT ASSETS

Before the financial statements of the Company were drawn up, the directors took reasonable steps to ascertain that any current assets, other than loans, which were unlikely to be realized in the ordinary course of business at their value as shown in the accounting records of the Company, have been written down to an amount which they might be expected to realize.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- No 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
- No contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of business.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they become due.

EVENTS AFTER THE END OF REPORTING PERIOD

No significant events occurred after the end of reporting period requiring disclosure or adjustment other than those already disclosed in the accompanying notes to 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:

Mr. Thun Vathana	Chairman
Ms. Khat Sokean	Vice-chairwoman
Mr. Khov Soviet	Independent member

AUDITOR

Ernst & Young (Cambodia) Ltd. is the auditor of the Company.

DIRECTORS' INTERESTS

No members of the Board of Directors hold any interest in the equity of the Company.

CAMMA Microfinance Limited

REPORT OF THE BOARD OF DIRECTORS (continued)

DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed, to which the Company was a party, whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body.

No director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or with a firm in which the director is a member, or with a company which the director has a material financial interest other than those disclosed in the financial statements.

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended. The Board of Directors oversees preparation of these financial statements by management who is 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 Standard for Small and Medium-sized Entities ("CIFRS for SMEs"), or if there has been any departure in the interest of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- Maintain adequate accounting records and an effective system of internal controls;
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- Set overall policies for the Company, ratify all decisions and actions that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the financial statements.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the applicable accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that the Company has complied with these requirements in preparing the financial statements.

CAMMA Microfinance Limited

REPORT OF THE BOARD OF DIRECTORS (continued)

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of 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 CIFRS for SMEs.

On behalf of the Board of Directors



Thun Vathana
Chairman



Dith Nita
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

19 April 2021

Reference: 61522920- 22131408

INDEPENDENT AUDITOR'S REPORT

To: The Shareholders of CAMMA Microfinance Limited

Opinion

We have audited the financial statements of CAMMA Microfinance Limited (“the Company”), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of 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 Standard for Small and Medium-sized Entities (“CIFRS 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 *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Prakas on the Code of Ethics for Professional Accountants and Auditors issued by the Royal Government of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with the requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information obtained at the date of the auditor’s report comprises the Report of the Board of Directors as set out in pages 1 to 4. Management is responsible for the other information.

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 of financial statements that give a true and fair view in accordance with CIFRS 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.

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

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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.



Sinratana Lan
Partner

Ernst & Young (Cambodia) Ltd.
Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia

19 April 2021

CAMMA Microfinance Limited

STATEMENT OF FINANCIAL POSITION as at 31 December 2020

	Notes	2020		2019	
		US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
<i>(As reclassified – Note 24)</i>					
ASSETS					
Cash on hand	4	270,273	1,093,254	224,616	915,310
Balances with the National Bank of Cambodia	5	182,298	737,395	181,889	741,198
Balances with other banks	6	80,837	326,986	11,429	46,573
Loans and advances to customers	7	13,118,824	53,065,643	12,840,197	52,323,803
Other assets	8	76,656	310,076	52,424	213,627
Property and equipment	9	64,226	259,794	27,085	110,371
Software	10	6,784	27,441	18,727	76,313
Deferred tax assets	11.3	5,684	22,992	71,624	291,868
TOTAL ASSETS		13,805,582	55,843,581	13,427,991	54,719,063
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Income tax payable	11.3	28,765	116,354	69,678	283,938
Borrowings	12	9,036,231	36,551,554	8,955,329	36,492,966
Other liabilities	13	76,861	310,903	164,618	670,818
Total liabilities		9,141,857	36,978,811	9,189,625	37,447,722
SHAREHOLDERS' EQUITY					
Share capital	14	3,593,000	14,372,000	3,593,000	14,372,000
Retained earnings		713,131	2,912,314	575,726	2,352,112
Regulatory reserve	15	357,594	1,452,585	69,640	278,597
Cumulative difference on exchange translation		-	127,871	-	268,632
Total shareholders' equity		4,663,725	18,864,770	4,238,366	17,271,341
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		13,805,582	55,843,581	13,427,991	54,719,063

The attached notes 1 to 24 form part of these financial statements.

CAMMA Microfinance Limited

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2020

	Notes	2020		2019	
		US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Operating income					
Interest income	16	2,316,529	9,444,489	2,034,345	8,243,166
Interest expenses	17	(612,511)	(2,497,207)	(573,401)	(2,323,421)
Net interest income		1,704,018	6,947,282	1,460,944	5,919,745
Other operating income	18	145,868	594,704	95,928	388,700
Total operating income		1,849,886	7,541,986	1,556,872	6,308,445
Personnel expenses	19	(821,466)	(3,349,117)	(652,387)	(2,643,472)
Depreciation and amortization	9,10	(46,524)	(189,678)	(33,496)	(135,726)
Other operating expenses	20	(379,629)	(1,547,747)	(408,112)	(1,653,670)
Provision for losses on loans and advances to customers	7	(59,235)	(241,501)	(66,311)	(268,692)
Income before income tax		543,032	2,213,943	396,566	1,606,885
Income tax expense	11	(117,673)	(479,753)	(93,713)	(379,725)
Net income for the year		425,359	1,734,190	302,853	1,227,160
<i>Other comprehensive income item:</i>					
Difference on exchange translation		-	(140,761)	-	249,290
Total comprehensive income		425,359	1,593,429	302,853	1,476,450

The attached notes 1 to 24 form part of these financial statements

CAMMA Microfinance Limited

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2020

	<i>Share capital</i>		<i>Retained earnings</i>		<i>Regulatory reserve</i>		<i>Cumulative difference on translation</i>	<i>Total</i>	
	<i>US\$</i>	<i>KHR'000</i>	<i>US\$</i>	<i>KHR'000</i>	<i>US\$</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>US\$</i>	<i>KHR'000</i>
As at 1 January 2020	3,593,000	14,372,000	575,726	2,352,112	69,640	278,597	268,632	4,238,366	17,271,341
Net income	-	-	425,359	1,734,190	-	-	-	425,359	1,734,190
Transfer from regulatory reserve	-	-	(287,954)	(1,173,988)	287,954	1,173,988	-	-	-
Difference on exchange translation	-	-	-	-	-	-	(140,761)	-	(140,761)
As at 31 December 2020	3,593,000	14,372,000	713,131	2,912,314	357,594	1,452,585	127,871	4,663,725	18,864,770
As at 1 January 2019	2,103,000	8,412,000	741,526	2,997,963	90,987	365,586	19,342	2,935,513	11,794,891
Capital injection									
Cash	1,000,000	4,000,000	-	-	-	-	-	1,000,000	4,000,000
Appropriation from retained earnings	490,000	1,960,000	(490,000)	(1,960,000)	-	-	-	-	-
Net income	-	-	302,853	1,227,160	-	-	-	302,853	1,227,160
Transfer from regulatory reserve	-	-	21,347	86,989	(21,347)	(86,989)	-	-	-
Difference on exchange translation	-	-	-	-	-	-	249,290	-	249,290
As at 31 December 2019	3,593,000	14,372,000	575,726	2,352,112	69,640	278,597	268,632	4,238,366	17,271,341

The attached notes 1 to 24 form part of these financial statements.

CAMMA Microfinance Limited

STATEMENT OF CASH FLOWS for the year ended 31 December 2020

	Notes	2020		2019	
		US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
<i>(As reclassified – Note 24)</i>					
OPERATING ACTIVITIES					
Income before income tax		543,032	2,213,943	396,566	1,606,885
<i>Adjustments for:</i>					
Depreciation	9	34,581	140,987	21,139	85,655
Amortization	10	11,943	48,692	12,358	50,075
Provision for losses on loans and advances		59,235	241,501	66,200	268,242
<i>Movements in operating assets and liabilities:</i>					
Loans and advances to customers	7	(337,862)	(1,377,463)	(2,787,092)	(11,293,297)
Other assets	8	(24,232)	(98,794)	17,249	69,893
Statutory deposit	5	-	-	(74,500)	(301,874)
Other liabilities	13	(87,757)	(357,785)	70,265	284,714
Cash generated from (used) in operations		198,940	811,081	(2,277,815)	(9,229,707)
Income tax paid	11.2	(92,646)	(377,718)	(87,921)	(356,256)
Net cash generated from (used in) operating activities		106,294	433,363	(2,365,736)	(9,585,963)
INVESTING ACTIVITIES					
Acquisition of property and equipment	9	(71,722)	(292,411)	(18,019)	(73,013)
FINANCING ACTIVITIES					
Proceeds from borrowings	12	12,490,570	50,924,054	6,625,042	26,844,670
Repayments of borrowings	12	(12,409,668)	(50,594,216)	(5,860,411)	(23,746,385)
Cash proceeds from capital injection		-	-	1,000,000	4,052,000
Net cash generated from financing activities		80,902	329,838	1,764,631	7,150,285
Net increase (decrease) in cash and cash equivalents		115,474	470,789	(619,124)	(2,508,691)
Cash and cash equivalents at beginning of year		238,284	971,007	857,408	3,445,066
Difference on exchange translation		-	(10,845)	-	34,632
Cash and cash equivalents at end of year	4	353,758	1,430,951	238,284	971,007

The attached notes 1 to 24 form part of these financial statements.

CAMMA Microfinance Limited

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2020 and for the year then ended

1. CORPORATE INFORMATION

The Company is a licensed microfinance institution incorporated in the Kingdom of Cambodia and registered with the Ministry of Commerce (“MoC”) as a limited liability company under the Registration No. Co. 0700 KH/2010 dated 6 April 2010. The Company obtained a license from the National Bank of Cambodia to operate micro-finance services on 29 July 2010.

The Company’s vision is to become a reliable microfinance institution that provides inclusive and innovative financial service to Cambodian and ensure benefit for clients, staffs, shareholders, and society as whole.

The Company’s principal activity is to provide innovative and impactful financial service to communities, small and medium enterprises, and farmers, especially women, in an efficient, sustainable and responsible manner.

The Company’s registered office is located at No.101A, Street 289, Sangkat Boeng Kak I, Khan Toul Kok, Phnom Penh, Cambodia.

Employees

As at 31 December 2020, the Company had a total of 120 employees (2019: 103 employees).

Approval of the financial statements

The financial statements were authorized for issue by the Board of Directors (“BoD”) on 19 April 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Company, expressed in United States dollar (“US\$”), are prepared in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities (“CIFRS for SMEs”).

The translation of the US\$ amounts into Khmer riel (“KHR”) is presented in the financial statements to comply with the Law on Accounting and Auditing and the relevant provision of CIFRS for SMEs using the closing and average rates for the year then ended.

Assets and liabilities are translated at the closing rate ruling at each reporting date, whereas income and expense items are translated at the average rate for the year then ended. All resulting exchange differences are recognized as a separate component of equity. Such translation should not be construed as a representation that the US\$ amounts represent, or have been or could be, converted into KHR at that or any other rate. All values in US\$ and KHR are rounded to the nearest dollar and thousand KHR (“KHR’000”), respectively, except otherwise indicated. The financial statements are presented in KHR based on the following applicable exchange rates per US\$1:

	2020	2019
Closing rate	4,045	4,075
Average rate	4,077	4,052

Fiscal year

The Company’s fiscal year starts on 1 January and ends on 31 December.

CAMMA Microfinance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional and presentation currency and foreign exchange

The national currency of Cambodia is KHR. However, as the Company transacts its business and maintains its accounting records primarily in US\$, management has determined the US\$ to be the Company's currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Company.

Transactions in currencies other than US\$ are translated to US\$ at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US\$ which are outstanding at the reporting date are translated into US\$ at the rate of exchange ruling at that date. Exchange differences arising on translation are recognized in the statement of comprehensive income.

Financial instruments

The Company applied both Section 11 on Basic Financial Instruments and Section 12 on Other Financial Instrument Issues in full.

The Company's financial instruments consist of basic financial assets and liabilities such as cash on hand, current account with the NBC, balances with other banks, loans and advances to customers, other assets (except for prepayment), borrowings and other liabilities (except for provision, seniority indemnity, and tax payable).

Financial assets and financial liabilities are recognized only when the entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognized at the transaction price unless the arrangement constitutes a financing transaction. A financing transaction may take place if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. If the arrangement constitutes a financing transaction, the Company shall measure the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss.

After initial recognition, all basic financial instruments are measured at amortized cost using effective interest method ("EIR").

At the end of each reporting period, the Company assess whether there is objective evidence of impairment of any financial assets that are measured at cost or amortized cost. If there is objective evidence of impairment, the Company recognize an impairment loss in profit or loss immediately.

For financial assets measured at amortized cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate ("EIR"). If such a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR determined under the contract.

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 recognized, the Company shall reverse the previously recognized impairment loss either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognized. The Company shall recognize the amount of the reversal in profit or loss immediately.

CAMMA Microfinance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition of financial assets and financial liabilities

Financial assets

The Company shall derecognize a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire or are settled; or
- The Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Company shall (a) derecognize the asset, and (b) recognize separately any rights and obligations retained or created in the transfer.

If a transfer does not result in derecognition because the Company has retained significant risks and rewards of ownership of the transferred asset, the Company shall continue to recognize the transferred asset in its entirety and shall recognize a financial liability for the consideration received. The asset and liability shall not be offset. In subsequent periods, the entity shall recognize any income on the transferred asset and any expense incurred on the financial liability.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the carrying value of the original liability and the recognition of a new liability, at fair value and any resulting difference is recognized in profit or loss.

Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents include cash on hand, current account with the NBC, and balances with other banks with original maturities of three months or less from the respective dates of placements, and that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Balances with other banks

Balances with other banks are carried at cost.

Statutory deposit

Statutory deposit is maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and is determined by defined percentage of minimum share capital as required by the NBC.

CAMMA Microfinance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and advances to customers

Loans and advances to customers are initially recognized at the transaction prices (including transaction costs) and subsequently measured at amortized cost using effective interest method.

At the end of each reporting period, the carrying amounts of loans and advances to customers are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence of impairment, an impairment loss is recognized immediately in profit or loss. Impairment loss is the difference between carrying amounts of loans and advances and the present value of estimated cash flows discounted at the asset's original effective interest rate.

Objective evidences of impairment include observable data that come to the management's attention about the following loss events:

- (a) significant financial difficulty of the borrower;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments.
- (c) it has become probable that the borrower will enter bankruptcy
- (d) observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or adverse changes in industry conditions.

Loans and advances to customers are grouped on the basis of similar credit risk characteristics.

Reversal of impairment

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 recognized, the entity shall reverse the previously recognized 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 recognized. The entity shall recognize the amount of the reversal in profit or loss immediately.

Regulatory reserve

Regulatory reserve is set up to account for the difference in provision between loan impairment determined in accordance with CIFRS for SMEs and the regulatory provision computed in accordance with NBC Prakas No B7-017-344 dated 1 December 2017 and Circular No B7-018-001 dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions.

The regulatory provision requires banks and financial institutions to classify their loan portfolio into five classes and provide general and specific allowance based on the loan classification as follows:

CAMMA Microfinance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Regulatory reserve (continued)

<i>Classification</i>	<i>Number of days past due</i>	<i>Allowance rate</i>
Standard	0 to 14 days (short-term)	
	0 to 29 days (long-term)	1%
Special mention	15 days to 30 days (short-term)	
	30 days to 89 days (long-term)	3%
Substandard	31 days to 60 days (short-term)	
	90 days to 179 days (long-term)	20%
Doubtful	61 days to 90 days (short-term)	
	180 days to 359 days (long-term)	50%
Loss	From 91 days (short-term)	
	360 days or more (long-term)	100%

The Company shall compare the provision calculated in accordance with CIFRS for SMEs and the regulatory provision, and:

- (i) In case the regulatory provision is lower than provision calculated under CIFRS for SMEs, the Company shall record the provision calculated in accordance with CIFRS for SMEs; and
- (ii) In case the regulatory provision is higher than provision calculated under CIFRS for SMEs, the Company shall record the provision calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings to the regulatory reserve.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. After initial recognition, interest-bearing borrowings are measured at amortized cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective rate method.

Property and equipment

Property and equipment are stated at cost excluding day-to-day servicing, less accumulated depreciation and provision for impairment in value (if any). Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate and treated as a change in accounting estimate.

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

Subsequent expenditure relating to an item of property and equipment that has already been recognized 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 recognized as an expense in the period in which it is expensed.

Gain or loss arising from the retirement or disposal of an item of property and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and is recognized in profit or loss on the date of retirement or disposal.

CAMMA Microfinance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

Leasehold improvement	Shorter of lease period or its economic lives
Computer equipment	2 years
Office equipment	2-4 years
Motor vehicles	2-4 years

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

If there is an indication that there has been a significant change in the useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Software

Software is stated at cost less accumulated amortization and accumulated impairment losses, if any. It is amortized on a straight-line basis at three to four years. If there is an indication that there has been a significant change in amortization rate, useful life or residual value of software, the amortization is revised prospectively to reflect the new expectations.

Impairment of non-financial assets

At each reporting date, property and equipment and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

Calculation of recoverable amount

The recoverable amount of the Company's long-term assets is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and if circumstances subsequently improve and there is persuasive evidence that the improved circumstances will persist.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

CAMMA Microfinance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Short-term employee benefits

Short-term employee benefits are accrued in the financial period in which the associated services are rendered by the employees of the Company.

Retrospective seniority indemnity

On 21 September 2018, the Ministry of Labor and Vocational Training (“MoLVT”) issued Prakas No. 443 on Seniority Payment to all enterprises, establishments and those who are covered by the provision of Article 89 (New) of the Labor Law. The said Prakas requires retroactive seniority payment. According to the clarification issued by MoLVT No. 042 dated 22 March 2019, the payment of retroactive seniority indemnity will be made from 2021 as follows:

- Equal to three days payable every June; and
- Equal to three days payable every December.

The retroactive seniority payment shall not exceed six months of employee’s average wage of each retrospective year. Employees are not entitled to the payment if they resign before receiving it.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Company as a lessee

Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Corporate income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

CAMMA Microfinance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Corporate income tax (continued)

The net carrying amount of deferred tax assets is reviewed at each reporting date and adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognized in profit or loss. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Other liabilities

Other liabilities are stated at cost which represents the fair value of the consideration expected to be paid in the future for goods and services received.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but disclosed in the notes to consolidated financial statements when an inflow of economic benefit is probable.

Effective interest rate

Effective interest rate ("EIR") is a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

When calculating the EIR, the Company estimates the expected cash flow by considering all the contractual terms of the financial instrument, but not considering the expected credit loss. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

CAMMA Microfinance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of income or expense

Interest income is earned from loans and advances to customers and balances with the NBC and other banks. Interest income is calculated using the EIR method presented in the statement of comprehensive income includes interest on financial assets measured at amortized cost.

Interest expense is also calculated using the EIR method for all financial liabilities held at amortized cost. Interest expense presented in the statement of comprehensive income includes financial liabilities measured at amortized cost.

Related parties

Enterprises and individuals that directly or indirectly, through one or more intermediaries, control, are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close family members of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. In preparing the Company's financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The judgments, estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods effected.

(a) Critical judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Determination of functional currency

Based on the economic substance of underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the US\$. The US\$ is the currency of the primary economic environment in which the Company operates; and it is the currency that mainly influences the selling of services and the cost of selling services.

Operating lease – Company as a lessee

The Company has entered into property lease arrangement under operating lease as a lessee. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership of these properties

CAMMA Microfinance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(b) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Estimating allowance for credit loss on loans and advances to customers

Allowance for impairment is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the status of receivables, past collection experience and other factors that may affect collectability. The allowance is established by charges to profit or loss in the form of provision for losses loans and advances to customers.

Estimating useful lives of property and equipment and software

The Company estimates the useful or economic lives of its property and equipment and software based on the period over which the assets are expected to be available for use. The Company reviews annually the estimated useful or economic lives of property and equipment and software based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful or economic lives of property and equipment and software would increase depreciation and amortization expense and decrease property and equipment and software.

Taxes

Uncertainties exist with respect to the interpretation of tax regulations, changes in tax laws, and the amount and timing of future taxable income. The taxation system in Cambodia is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities.

4. CASH AND CASH EQUIVALENTS

Cash on hand comprises:

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
KHR	87,576	354,245	40,457	164,862
US\$	182,697	739,009	184,159	750,448
	270,273	1,093,254	224,616	915,310

CAMMA Microfinance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

4. CASH AND CASH EQUIVALENTS (continued)

For the purpose of preparing the statement of cash flows, cash and cash equivalents comprise:

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Cash on hand	270,273	1,093,254	224,616	915,310
Current account with NBC	2,648	10,711	2,239	9,124
Balances with other banks	80,837	326,986	11,429	46,573
	353,758	1,430,951	238,284	971,007

5. BALANCES WITH THE NBC

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Current account	2,648	10,711	2,239	9,124
Statutory deposit	179,650	726,684	179,650	732,074
	182,298	737,395	181,889	741,198

Under NBC Prakas B7-00-06 dated 11 January 2000, microfinance 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 is interest-bearing at 1/2 of the six-month period refinancing rate set by the NBC for statutory deposit maintained in Khmer Riel and 3/8 of the six-month period SIBOR rate for statutory deposit maintained in US\$.

Statutory deposit earns interest at rates ranging from 0.48% - 0.06% (2019: 0.48% - 0.72%) per annum. Current account with the NBC does not earn interest.

6. BALANCES WITH OTHER BANKS

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
US\$	22,808	92,258	10,442	42,551
KHR	58,029	234,728	987	4,022
	80,837	326,986	11,429	46,573

Balances with other banks represent current accounts which do not earn any interest.

CAMMA Microfinance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

7. LOANS AND ADVANCES TO CUSTOMERS

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Individual loans	12,940,870	52,345,819	12,768,869	52,033,141
Group loans	15,425	62,394	33,047	134,667
Staff loans	368,232	1,489,498	351,962	1,434,245
Total loans and advances-gross	13,324,527	53,897,711	13,153,878	53,602,053
Accrued interest receivable	214,218	866,512	159,619	650,448
Unamortized loan processing fees	(135,155)	(546,702)	(218,543)	(890,563)
	13,403,590	54,217,521	13,094,954	53,361,938
Allowance for losses on loans and advances to customers	(284,766)	(1,151,878)	(254,757)	(1,038,135)
Loans and advances to customers- net	13,118,824	53,065,643	12,840,197	52,323,803

Movements of allowance for losses on loans and advances to customers were as follows:

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
At beginning of year	254,757	1,038,135	188,557	768,370
Provision for losses on loans and advances	59,235	241,501	66,311	270,217
Write-offs	(29,226)	(119,154)	-	-
Translation exchange difference	-	(8,604)	(111)	(452)
At end of year	284,766	1,151,878	254,757	1,038,135

Further analyses of gross loans and advances to customers are as follows:

(a) *By collateral*

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Secured	13,294,784	53,777,401	12,963,176	52,824,942
Unsecured	29,743	120,310	190,702	777,111
Total loans and advances-gross	13,324,527	53,897,711	13,153,878	53,602,053

CAMMA Microfinance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

7. LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) *By industrial sector*

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Household/family	12,867,510	52,049,078	10,772,035	43,896,043
Trading and commerce	198,443	802,702	1,177,946	4,800,130
Services	100,180	405,228	563,522	2,296,352
Agriculture	27,410	110,873	194,867	794,083
Transportation	5,027	20,334	166,792	679,677
Construction	15,842	64,081	87,882	358,119
Others	110,115	445,415	190,834	777,649
Total loans and advances-gross	13,324,527	53,897,711	13,153,878	53,602,053

(c) *Analyses of loan portfolio by residency, relationship and exposure are as follows:*

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Residency				
Residents	13,324,527	53,897,711	13,153,878	53,602,053
Relationship				
Related parties	61,476	248,670	93,011	379,020
Non-related parties	13,263,051	53,649,041	13,060,867	53,223,033
	13,324,527	53,897,711	13,153,878	53,602,053
Exposure				
Non-large	13,324,527	53,897,711	13,153,878	53,602,053

(d) *By ranges of nominal interest rates (per annum):*

	2020	2019
Individual loans	7.00% - 28.00%	13.20% - 18.00%
Group loans	18.00%	18.00%
Staff loans	13.00% - 16.00%	13.20% - 15.60%

CAMMA Microfinance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

8. OTHER ASSETS

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
				(As reclassified – Note 24)
Deposits	37,400	151,283	35,346	144,035
Prepayments	14,906	60,295	10,260	41,809
Others	24,350	98,498	6,818	27,783
	76,656	310,076	52,424	213,627

9. PROPERTY AND EQUIPMENT

	Leasehold improvement US\$	Office equipment US\$	Computer and IT equipment US\$	Motor vehicles US\$	Total US\$
Cost					
As at 1 January 2020	79,588	49,068	81,598	19,800	230,054
Additions	13,761	40,537	17,424	-	71,722
Write-offs	-	(2,182)	(1,082)	-	(3,264)
Adjustment	927	-	-	-	927
As at 31 December 2020	94,276	87,423	97,940	19,800	299,439
Less accumulated depreciation					
As at 1 January 2020	72,205	39,568	73,100	18,096	202,969
Charges for the year	6,323	16,683	9,871	1,704	34,581
Write-offs	-	(2,182)	(1,082)	-	(3,264)
Adjustment	892	35	-	-	927
As at 31 December 2020	79,420	54,104	81,889	19,800	235,213
Net book value					
As at 31 December 2020	14,856	33,319	16,051	-	64,226
KHR'000 equivalent (Note 2)	60,093	134,775	64,926	-	259,794

CAMMA Microfinance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

9. PROPERTY AND EQUIPMENT (continued)

	<i>Leasehold improvement</i>	<i>Office equipment</i>	<i>Computer and IT equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Cost					
As at 1 January 2019	78,794	45,038	74,432	19,800	218,064
Additions	1,814	4,904	11,301	-	18,019
Write-offs	(1,020)	(874)	(4,135)	-	(6,029)
As at 31 December 2019	79,588	49,068	81,598	19,800	230,054
Less accumulated depreciation					
As at 1 January 2019	66,412	34,298	72,906	14,243	187,859
Charges for the year	6,813	6,144	4,329	3,853	21,139
Write-offs	(1,020)	(874)	(4,135)	-	(6,029)
As at 31 December 2019	72,205	39,568	73,100	18,096	202,969
Net book value					
As at 31 December 2019	7,383	9,500	8,498	1,704	27,085
KHR'000 equivalent (Note 2)	30,086	38,713	34,629	6,943	110,371

10. SOFTWARE

	<i>2020</i>	<i>2019</i>
	<i>US\$</i>	<i>US\$</i>
Cost		
As at 1 January	54,495	54,495
Write-off	(780)	-
Adjustment	(927)	-
As at 31 December	52,788	54,495
Less accumulated amortization		
As at 1 January	35,768	23,410
Amortization	11,943	12,358
Write-off	(780)	-
Adjustment	(927)	-
As at 31 December	46,004	35,768
Net book value		
As at 31 December	6,784	18,727
KHR'000 equivalent (Note 2)	27,441	76,313

CAMMA Microfinance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

11. INCOME TAX

Components of income tax expense for the year are as follows:

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Current	51,733	210,916	102,234	414,252
Deferred	65,940	268,837	(8,521)	(34,527)
Income tax expense	117,673	479,753	93,713	379,725

11.1 Current income tax

In accordance with Cambodian tax regulations, current income tax is calculated at the higher of the taxable income for the year multiplied by the tax rate of 20% at the reporting date and 1% of turnover.

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

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Profit before income tax	543,032	2,213,943	396,566	1,606,885
Income tax using statutory rate	108,606	442,789	79,313	321,376
Non-deductible expenses	9,067	36,964	14,400	58,349
Income tax expense	117,673	479,753	93,713	379,725

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

11.2 Income tax payable

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
				(As reclassified – Note 24)
Balance at beginning of year	69,678	283,938	55,366	222,461
Current income tax	51,733	210,916	102,233	414,248
Income tax paid	(92,646)	(377,718)	(87,921)	(356,256)
Translation exchange difference	-	(782)	-	3,485
Balance at end of year	28,765	116,354	69,678	283,938

CAMMA Microfinance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

11. INCOME TAX (continued)

11.3 Deferred tax assets - net

Deferred tax asset and liability items recognized during the year are as follows:

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
<i>Deferred tax assets (liabilities):</i>				
Unamortized loan processing fees	27,501	111,241	44,179	180,030
Property and Equipment	11,613	46,975	(3,448)	(14,051)
Unrealized foreign exchange (gain) loss	2,932	11,860	-	-
Seniority obligation	2,871	11,613	2,949	12,017
Allowance for losses on loans and advances to customers	(39,233)	(158,697)	27,944	113,872
Deferred tax assets - net	5,684	22,992	71,624	291,868

12. BORROWINGS

Borrowings are analyzed as follows:

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Individuals	6,830,557	27,629,603	8,317,500	33,893,813
Financial institutions	2,062,601	8,343,221	513,983	2,094,480
	8,893,158	35,972,824	8,831,483	35,988,293
Accrued interest payable	143,073	578,730	123,846	504,673
	9,036,231	36,551,554	8,955,329	36,492,966

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Current	5,464,976	22,105,828	6,379,827	25,997,796
Non-current	3,571,255	14,445,726	2,575,502	10,495,170
	9,036,231	36,551,554	8,955,329	36,492,966

The borrowings bear interest rate per annum ranging from 2.00% to 7.00% (2019: 5.90% - 7.00%).

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13. OTHER LIABILITIES

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Professional fees	17,005	68,785	16,005	65,220
Seniority indemnity	14,353	58,058	14,353	58,488
Withholding tax payable	7,188	29,075	10,128	41,272
Prepayment from customers	2,350	9,506	2,350	9,576
Provision for tax reassessment	-	-	88,149	359,207
Accrued bonus	12,380	50,077	10,322	42,062
Others	23,585	95,402	23,311	94,993
	76,861	310,903	164,618	670,818

14. SHARE CAPITAL

(i) Share capital

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
All ordinary shares are registered, issued, and paid-up with par value of US\$1	3,593,000	14,372,000	3,593,000	14,372,000

(ii) Ownership and number of shares are presented as below:

	2020		2019	
	% of Ownership	Number of shares	% of Ownership	Number of shares
Madam Ou San	65.09%	2,338,554	65.09%	2,338,554
Madam Dith Nita	34.91%	1,254,446	34.91%	1,254,446
	100.00%	3,593,000	100.00%	3,593,000

15. REGULATORY RESERVE

Comparison between regulatory provision and CIFRS for SMEs provision follows:

	2020 US\$	2019 US\$
Regulatory provision	642,360	324,397
Less: allowance per CIFRS for SMEs	(284,766)	(254,757)
Regulatory reserve required	357,594	69,640
KHR'000 equivalent (Note 2)	1,452,585	278,597

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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16. INTEREST INCOME

Interest income arose from:

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 Equivalent (Note 2)
Loans and advances to customers	2,316,024	9,442,430	2,032,650	8,236,298
Balances with the NBC	505	2,059	816	3,306
Balances with other banks	-	-	879	3,562
	2,316,529	9,444,489	2,034,345	8,243,166

17. INTEREST EXPENSES

Interest expense on borrowings by maturity are as follows:

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Short term	410,004	1,671,586	388,831	1,575,542
Long term	202,507	825,621	184,570	747,879
	612,511	2,497,207	573,401	2,323,421

18. OTHER OPERATING INCOME

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Penalty fees	125,760	512,724	99,448	402,963
Rental income	6,149	25,069	7,118	28,842
Foreign exchange (loss) gain- net	13,959	56,911	(10,638)	(43,105)
	145,868	594,704	95,928	388,700

19. PERSONNEL EXPENSES

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Salaries	692,979	2,825,275	557,557	2,259,221
Bonuses	61,263	249,769	59,961	242,962
Training	5,528	22,538	10,266	41,598
Contribution to national security funds	15,440	62,949	13,351	54,098
Others	46,256	188,586	11,252	45,593
	821,466	3,349,117	652,387	2,643,472

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

20. OTHER OPERATING EXPENSES

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Rental	113,588	463,098	104,174	422,113
Professional fees	46,980	191,537	41,964	170,038
Security	26,469	107,914	24,106	97,678
Office supplies and equipment	25,279	103,062	18,031	73,062
Fees and taxes	28,674	116,904	25,239	102,270
Utilities	23,260	94,831	22,880	92,710
Repairs and maintenance	18,320	74,691	15,316	62,060
Travelling and vehicle expenses	32,592	132,878	31,042	125,782
Communication	13,820	56,344	11,965	48,482
Advertising	8,298	33,831	8,011	32,461
Printing and copying	3,572	14,563	1,892	7,666
Provision for tax reassessment	20,413	83,224	88,149	357,178
Others	18,364	74,870	15,343	62,170
	379,629	1,547,747	408,112	1,653,670

Others include business meal, other insurance, charitable donation, commission and bank charges.

21. COMMITMENTS AND CONTINGENCY

21.1 Lease commitments

The Company has lease commitments in respect of the lease of buildings under an operating lease arrangement, due as follows:

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Within one year	95,713	390,222	90,380	366,234
More than 1 year to 5 years	98,380	401,095	154,664	626,724
	194,093	791,317	245,044	992,958

21.2 Tax contingency

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.

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Company could be significant.

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as at 31 December 2020 and for the year then ended

22. RELATED PARTY DISCLOSURES

Significant transactions with related parties during the year, which were made at normal terms and conditions, and the outstanding balances as at end of the year were as follows:

Related party	Account balance/nature of transaction	2020		2019	
		US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Shareholder's closed family member	Borrowings	3,191,667	12,910,293	2,500,000	10,187,500
	Accrued interest payable	76,225	308,330	5,677	23,133
	Interest expense	254,933	1,039,362	91,518	370,830
Management personnel (from unit managers up)	Loans	61,476	248,670	93,539	379,020
	Accrued interest receivable	617	2,496	995	4,031
	Interest income	7,273	29,652	5,126	20,887
	Remuneration	270,725	1,103,746	227,653	922,451

23. EVENTS AFTER REPORTING PERIOD

With the Covid-19 pandemic, many countries have required entities to limit or suspend business operations and implemented travel restrictions and quarantine measures. These measures and policies have significantly disrupted (or are expected to disrupt) the activities of many entities. The condition of the coronavirus outbreak has continued to evolve throughout the timeline crossing 31 December 2020. Cambodia is among those affected countries that signifies economic slowdown due to global recession. Amid the outbreak, the NBC advised all banks and financial institutions to delay or suspend all loan and interest payments as part of measures to soften the economic blow of coronavirus on business and household borrowers.

Based on management's assessment, the impact of the potential disease outbreak could be minimal due to availability of loan protection measures in controlling credit risks of the portfolio, management does not consider it practicable to provide a quantitative estimate of the potential impact of this pandemic on the Company. Management will continuously pay attention to the situation of the COVID-19 in Cambodia, operations of its loan customers, as well as their ability to service debts.

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events which occurred subsequent to 31 December 2020 that had significant impact on the financial position of the Company as at 31 December 2020 and its financial performance for the year then ended.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

24. RECLASSIFICATION OF CORRESPONDING FIGURES

Certain corresponding figures have been reclassified to conform with this year's presentation, as follows:

	<i>As previously presented</i>		<i>Reclassification</i>		<i>As reclassified</i>	
	<i>US\$</i>	<i>KHR'000 equivalent (Note 2)</i>	<i>US\$</i>	<i>KHR'000 equivalent (Note 2)</i>	<i>US\$</i>	<i>KHR'000 equivalent (Note 2)</i>
<i>Asset</i>						
Other assets	75,367	307,121	(22,943)	(93,493)	52,424	213,627
<i>Liability</i>						
Income tax payable	92,621	377,431	(22,943)	(93,493)	69,678	283,938