

CAMMA MICROFINANCE LIMITED

**Financial Statements
for the year ended 31 December 2022
and
Report of the Independent Auditors**

CAMMA Microfinance Limited

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Report of the Board of Directors

The Board of Directors (“the Directors”) has pleasure in submitting their report together with the audited financial statements of CAMMA Microfinance Limited (“the Company”) for the year ended 31 December 2022.

Principal activities

The principal activity of the Company is providing creative financial services impactful for communities, small and medium enterprises, and farmers, especially notably women, with effectiveness, sustainability and responsibility.

Financial results

The financial results of the Company for the year ended 31 December 2022 were as follows:

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Profit before income tax	205,943	841,689	341,252	1,388,213
Income tax expense	<u>(61,553)</u>	<u>(251,567)</u>	<u>(76,186)</u>	<u>(309,925)</u>
Net profit for the year	<u>144,390</u>	<u>590,122</u>	<u>265,066</u>	<u>1,078,288</u>

Share capital

There is no change in the shareholding structure during the year. Refer to Note 17 for details.

Dividends

At the reporting date, no dividend was declared or paid and the Director does not recommend any dividend to be paid in respect of the year ended 31 December 2022.

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.

Bad and doubtful loans

Before the financial statements of the Company were prepared, the 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.

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Bad and doubtful loans (continued)

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

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

Valuation methods

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

Contingent and other liabilities

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

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (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 Directors, will or may materially affect the ability of the Company to meet its obligations as and when they fall due.

The Board of Directors

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

Madam Dith Nita	Chairwoman (Appointed on 1 February 2023) (*)
Mr. Thun Vathana	Chairman (Resigned on 1 February 2023)
Mr. Khov Soviet	Director
Ms. You Bory	Independent Director

(*) As of the date of this report, the Company is in the process to amend the Memorandum and Article of Association to obtain approval from the National Bank of Cambodia and the Ministry of Commerce.

CAMMA Microfinance Limited

Items of an unusual nature

The results of the operations of the Company for the financial year were not, in the opinion of the 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 Directors, to affect materially the results of the operations of the Company for the current financial year in which this report is made.

Directors' interests

None of the Directors held or dealt directly or indirectly in the shares of the Company during the financial year.

Directors' benefits

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

Since the end of the previous financial year, no Director 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 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 Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in the financial statements.

Directors' responsibilities in respect of the financial statements

The 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 2022, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the 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 ("CIFRS 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 the Company effectively in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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



CAMMA Microfinance Limited

Approval of the financial statements

We hereby approve the accompanying financial statements together with the notes thereto as set out on pages 8 to 47 which, in our opinion, present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with CIFRS for SMEs.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors,



Madam Dith Nita
Chairwoman



Mr. Ly Chheang
Acting Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

Date: 19 April 2023



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Report of the Independent Auditors

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 2022, 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 47 (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 2022, 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 *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 Report of the Directors as set out on pages 1 to 4, and the annual report, which is expected to be made available to us after the date of auditors’ report. 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 on the other information obtained prior to the date of this auditors’ report, 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.



Other matter

The financial statements of the Company for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those financial statements on 22 April 2022.

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 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.

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

19 April 2023

CAMMA Microfinance Limited

Statement of financial position as at 31 December 2022

	Note	31 December 2022		31 December 2021	
		US\$	KHR'000	US\$	KHR'000
			(Note 5)		(Note 5)
ASSETS					
Cash on hand	6	154,412	635,714	192,475	784,143
Balances with banks and financial institutions	7	741,756	3,053,809	630,550	2,568,861
Balances with the National Bank of Cambodia	8	282,032	1,161,126	328,394	1,337,877
Loans to customers	9	23,327,329	96,038,613	15,203,043	61,937,197
Other assets	10	157,232	647,325	96,018	391,178
Property and equipment	11	149,293	614,640	75,845	308,993
Intangible assets	12	36,279	149,360	-	-
TOTAL ASSETS		<u>24,848,333</u>	<u>102,300,587</u>	<u>16,526,325</u>	<u>67,328,249</u>
LIABILITIES AND EQUITY					
Liabilities					
Current income tax liability	16(C)	75,773	311,957	10,108	41,180
Borrowings	13	15,341,077	63,159,214	9,477,204	38,610,129
Subordinated debt	14	2,202,043	9,065,811	-	-
Other liabilities	15	155,066	638,407	70,632	287,755
Deferred tax liabilities	16(D)	1,193	4,912	39,590	161,290
Total liabilities		<u>17,775,152</u>	<u>73,180,301</u>	<u>9,597,534</u>	<u>39,100,354</u>
Equity					
Share capital	17	5,593,000	22,372,000	5,593,000	22,372,000
Regulatory reserves	18	539,749	2,192,909	581,043	2,362,916
Retained earnings		940,432	3,840,400	754,748	3,080,271
Currency translation reserves		-	714,977	-	412,708
Total equity		<u>7,073,181</u>	<u>29,120,286</u>	<u>6,928,791</u>	<u>28,227,895</u>
TOTAL LIABILITIES AND EQUITY		<u>24,848,333</u>	<u>102,300,587</u>	<u>16,526,325</u>	<u>67,328,249</u>

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

CAMMA Microfinance Limited

Statement of comprehensive income for the year ended 31 December 2022

	Note	2022		2021	
		US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Interest income	19	2,790,491	11,404,737	2,146,443	8,731,730
Interest expense	20	<u>(800,626)</u>	<u>(3,272,158)</u>	<u>(535,366)</u>	<u>(2,177,869)</u>
Net interest		1,989,865	8,132,579	1,611,077	6,553,861
Other operating income	21	<u>102,032</u>	<u>417,004</u>	<u>149,105</u>	<u>606,559</u>
Net operating income		2,091,897	8,549,583	1,760,182	7,160,420
Net impairment loss on financial assets	9	(25,304)	(103,417)	(80,580)	(327,799)
Personnel expenses	22	(1,229,297)	(5,024,137)	(950,576)	(3,866,943)
Depreciation and amortisation	23	(43,702)	(178,610)	(42,661)	(173,545)
Other operating expenses	24	<u>(587,651)</u>	<u>(2,401,730)</u>	<u>(345,113)</u>	<u>(1,403,920)</u>
Profit before income tax		205,943	841,689	341,252	1,388,213
Income tax expense	16(B)	<u>(61,553)</u>	<u>(251,567)</u>	<u>(76,186)</u>	<u>(309,925)</u>
Net profit for the year		<u>144,390</u>	<u>590,122</u>	<u>265,066</u>	<u>1,078,288</u>
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Currency translation differences		-	302,269	-	284,837
Total comprehensive income for the year		<u>144,390</u>	<u>892,391</u>	<u>265,066</u>	<u>1,363,125</u>

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

CAMMA Microfinance Limited

Statement of changes in equity for the year ended 31 December 2022

	Share capital		Regulatory reserves		Retained earnings		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 2022	5,593,000	22,372,000	581,043	2,362,916	754,748	3,080,271	-	412,708	6,928,791	28,227,895
Transactions change directly in equity:										
Transferred from regulatory reserves to retained earnings (Note 18)	-	-	(41,294)	(170,007)	41,294	170,007	-	-	-	-
	-	-	(41,294)	(170,007)	41,294	170,007	-	-	-	-
Total comprehensive income:										
Net profit for the year	-	-	-	-	144,390	590,122	-	-	144,390	590,122
Other comprehensive income	-	-	-	-	-	-	-	302,269	-	302,269
	-	-	-	-	144,390	590,122	-	302,269	144,390	892,391
At 31 December 2022	<u>5,593,000</u>	<u>22,372,000</u>	<u>539,749</u>	<u>2,192,909</u>	<u>940,432</u>	<u>3,840,400</u>	<u>-</u>	<u>714,977</u>	<u>7,073,181</u>	<u>29,120,286</u>
At 1 January 2021	3,593,000	14,372,000	357,594	1,452,585	713,131	2,912,314	-	127,871	4,663,725	18,864,770
Transactions with the shareholders:										
Issuance of share capital (Note 17A)	2,000,000	8,000,000	-	-	-	-	-	-	2,000,000	8,000,000
Transactions change directly in equity:										
Transferred from retained earnings to regulatory reserves (Note 18)	-	-	223,449	910,331	(223,449)	(910,331)	-	-	-	-
	2,000,000	8,000,000	223,449	910,331	(223,449)	(910,331)	-	127,871	2,000,000	8,000,000
Total comprehensive income:										
Net profit for the year	-	-	-	-	265,066	1,078,288	-	-	265,066	1,078,288
Other comprehensive income	-	-	-	-	-	-	-	284,837	-	284,837
	-	-	-	-	265,066	1,078,288	-	284,837	265,066	1,363,125
At 31 December 2021	<u>5,593,000</u>	<u>22,372,000</u>	<u>581,043</u>	<u>2,362,916</u>	<u>754,748</u>	<u>3,080,271</u>	<u>-</u>	<u>412,708</u>	<u>6,928,791</u>	<u>28,227,895</u>

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

CAMMA Microfinance Limited

Statement of cash flows for the year ended 31 December 2022

	Note	2022		2021	
		US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Cash flows from operating activities					
Net profit for the year		144,390	590,122	265,066	1,078,288
<i>Adjustments for:</i>					
Net impairment loss on financial assets	10	25,304	103,417	80,580	327,799
Depreciation and amortisation	23	43,702	178,610	42,661	173,545
Interest income		(2,790,491)	(11,404,737)	(2,146,443)	(8,731,730)
Interest expense		800,626	3,272,158	535,366	2,177,869
Income tax expense		61,553	251,567	76,186	309,925
		<u>(1,714,916)</u>	<u>(7,008,863)</u>	<u>(1,146,584)</u>	<u>(4,664,304)</u>
<i>Changes in:</i>					
Loans to customers		(8,059,198)	(32,937,942)	(2,176,603)	(8,854,421)
Other assets		(61,219)	(250,202)	(19,636)	(79,879)
Statutory deposit		-	-	(100,000)	(406,800)
Other liabilities		58,176	237,765	(6,229)	(25,340)
		<u>(9,777,157)</u>	<u>(39,959,242)</u>	<u>(3,449,052)</u>	<u>(14,030,744)</u>
Cash used in operations		(9,777,157)	(39,959,242)	(3,449,052)	(14,030,744)
Interest income received		2,700,104	11,035,325	2,158,521	8,780,863
Interest expense paid		(791,453)	(3,234,668)	(556,007)	(2,261,836)
Income tax paid		(34,285)	(140,123)	(49,569)	(201,647)
		<u>(7,902,791)</u>	<u>(32,298,708)</u>	<u>(1,896,107)</u>	<u>(7,713,364)</u>
Net cash used in operating activities					
Cash flows from investing activities					
Acquisition of property and equipment	11	(113,945)	(465,693)	(47,496)	(193,214)
Acquisition of intangible assets	12	(39,484)	(161,371)	-	-
		<u>(153,429)</u>	<u>(627,064)</u>	<u>(47,496)</u>	<u>(193,214)</u>
Net cash used in investing activities					
Cash flows from financing activities					
Proceeds from borrowings	13	16,477,548	67,343,739	8,807,064	35,827,136
Proceeds from subordinated debt	14	2,750,000	11,239,250	-	-
Repayments of borrowings	13	(10,594,547)	(43,299,914)	(8,345,450)	(33,949,291)
Repayments of subordinated debt	14	(550,000)	(2,247,850)	-	-
Proceeds from issue of share capital	17	-	-	2,000,000	8,136,000
		<u>8,083,001</u>	<u>33,035,225</u>	<u>2,461,614</u>	<u>10,013,845</u>
Net cash generated from financing activities					

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Statement of cash flows (continued) for the year ended 31 December 2022

	Note	US\$	2022 KHR'000 (Note 5)	US\$	2021 KHR'000 (Note 5)
Net increase in cash and cash equivalents		26,781	109,453	518,011	2,107,267
Cash and cash equivalents at 1 January		871,769	3,551,587	353,758	1,430,951
Currency translation differences		<u>-</u>	<u>38,290</u>	<u>-</u>	<u>13,369</u>
Cash and cash equivalents at 31 December	6	<u>898,550</u>	<u>3,699,330</u>	<u>871,769</u>	<u>3,551,587</u>

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

CAMMA Microfinance Limited

Notes to the financial statements for the year ended 31 December 2022

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Reporting entity

CAMMA Microfinance Limited (“the Company”) is a private limited Company incorporated in Cambodia and registered with the Ministry of Commerce (“MOC”) under the Registration Number Co.0700 KH/2010 on 31 March 2010. On 29 July 2010, the Company obtained a permanent license from the National Bank of Cambodia (“the NBC”) to operate as a micro-finance institution.

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 a whole.

The principal activity of the Company is providing creative financial services impactful for communities, small and medium enterprises, and farmers, especially notably women, with effectiveness, sustainability and responsibility. There were no changes in the nature of these principal activities during the financial year.

The address of its registered office and principal place of business is located at No.101A, Street 289, Sangkat Boeng Kak I, Khan Toul Kok, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2022, the Company had 170 employees (31 December 2021: 126 employees).

2. Basis of accounting

A. Statement of compliance

The financial statements have been prepared in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities (“CIFRS for SMEs”).

The financial statements of the Company were authorised for issue by the Board of Directors on 19 April 2023.

Details of the Company’s accounting policies are included in Note 28.

B. Basis of measurement

The financial statements have been prepared on a historical cost.

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

3. Functional and presentation currency

The Company transacts its business and maintains its accounting records in two currencies, Khmer Riel (“KHR”) and 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 or thousand riels, except when otherwise indicated.

4. Use of estimates and judgements

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2022 is set out below in relation to the impairment of financial instruments and in the following notes in relation to other areas:

- Note 28B(vii) – identification and measurement of impairment.

5. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars (“US\$”) 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 CIFRS for SMEs 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 items are translated at the historical rate. The statements of comprehensive income and cash flows are translated into KHR using 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 the other comprehensive income.

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Notes to the financial statements (continued) for the year ended 31 December 2022

5. Translation of United States Dollars into Khmer Riel (continued)

The Company uses the following exchange rates:

			Closing rate	Average rate
31 December 2022	US\$1	=	KHR4,117	KHR4,087
31 December 2021	US\$1	=	<u>KHR4,074</u>	<u>KHR4,068</u>

These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

6. Cash on hand

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Cash on hand	<u>154,412</u>	<u>635,714</u>	<u>192,475</u>	<u>784,143</u>

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

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Cash on hand	154,412	635,714	192,475	784,143
Current account with NBC (Note 8)	2,382	9,807	48,744	198,583
Balances with banks and financial institutions (Note 7)	<u>741,756</u>	<u>3,053,809</u>	<u>630,550</u>	<u>2,568,861</u>
	<u>898,550</u>	<u>3,699,330</u>	<u>871,769</u>	<u>3,551,587</u>

7. Balances with banks and financial institutions

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Current accounts	256,681	1,056,756	78,085	318,118
Saving accounts	485,075	1,997,053	302,465	1,232,243
Term deposits with maturity terms of more than 3 months	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>1,018,500</u>
	<u>741,756</u>	<u>3,053,809</u>	<u>630,550</u>	<u>2,568,861</u>

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

7. Balances with banks and financial institutions (continued)

Balances with banks and financial institutions are further analysed as follows:

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
A. By maturity:				
Within 1 month	741,756	3,053,809	380,550	1,550,361
2 to 3 months	-	-	-	-
4 to 12 months	-	-	250,000	1,018,500
	<u>741,756</u>	<u>3,053,809</u>	<u>630,550</u>	<u>2,568,861</u>

B. By interest rate (per annum):

Annual interest rates applicable to balances with banks and financial institutions at the year end were as follows:

	31 December 2022	31 December 2021
Savings accounts	Nil	Nil
Term deposits	<u>Nil</u>	<u>1%</u>

8. Balances with the National Bank of Cambodia

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Current account (*)	2,382	9,807	48,744	198,583
Capital guarantee deposit (**)	<u>279,650</u>	<u>1,151,319</u>	<u>279,650</u>	<u>1,139,294</u>
	<u>282,032</u>	<u>1,161,126</u>	<u>328,394</u>	<u>1,337,877</u>

(*) This represents current account maintained with the National Bank of Cambodia. The current account does not earn interest.

(**) 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 capital guarantee deposit earns 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\$.

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

9. Loans to customers

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Individual loans	23,348,175	96,124,436	15,136,635	61,666,651
Group loans	128,531	529,162	18,276	74,456
Staff loans	205,171	844,689	347,905	1,417,365
Total loans to customers – gross	23,681,877	97,498,287	15,502,816	63,158,472
Accrued interest receivable	291,713	1,200,982	201,947	822,732
Unamortised loan processing fees	(256,248)	(1,054,972)	(136,385)	(555,632)
	23,717,342	97,644,297	15,568,378	63,425,572
Less: Impairment loss allowance	(390,013)	(1,605,684)	(365,335)	(1,488,375)
Total loans to customers – net	23,327,329	96,038,613	15,203,043	61,937,197

The movement in the impairment loss allowance during the year was as follows:

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	365,335	1,488,375	284,766	1,151,878
Recognised in profit or loss	25,304	103,417	80,580	327,799
Loss on foreign exchange	(626)	(2,558)	(11)	(45)
Currency translation differences	-	16,450	-	8,743
At 31 December	390,013	1,605,684	365,335	1,488,375

The gross loans to customers are further analysed as follows:

A. By currency:	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
US dollars	20,991,597	86,422,405	13,799,444	56,218,935
Khmer Riel	2,690,280	11,075,882	1,703,372	6,939,537
	23,681,877	97,498,287	15,502,816	63,158,472

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

9. Loans to customers (continued)

The gross loans to customers are further analysed as follows: (continued)

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
B. By economic sector:				
Services	7,312,267	30,104,603	7,352,252	29,953,075
Household/family	4,995,542	20,566,646	3,778,306	15,392,819
Trading and commerce	3,052,513	12,567,196	1,164,393	4,743,737
Construction	2,468,453	10,162,621	1,366,434	5,566,852
Agriculture	1,656,972	6,821,754	604,157	2,461,336
Transportation	429,352	1,767,642	471,879	1,922,435
Others	3,766,778	15,507,825	765,395	3,118,218
	<u>23,681,877</u>	<u>97,498,287</u>	<u>15,502,816</u>	<u>63,158,472</u>
C. By residency status:				
Residents	<u>23,681,877</u>	<u>97,498,287</u>	<u>15,502,816</u>	<u>63,158,472</u>
D. By relationship:				
External customers	23,651,056	97,371,397	15,426,253	62,846,555
Related parties	30,821	126,890	76,563	311,917
	<u>23,681,877</u>	<u>97,498,287</u>	<u>15,502,816</u>	<u>63,158,472</u>
E. By exposure:				
Non-large exposure	<u>23,681,877</u>	<u>97,498,287</u>	<u>15,502,816</u>	<u>63,158,472</u>
F. By collateral:				
Secured	23,383,721	96,270,779	15,458,071	62,976,181
Unsecured	298,156	1,227,508	44,745	182,291
	<u>23,681,877</u>	<u>97,498,287</u>	<u>15,502,816</u>	<u>63,158,472</u>
G. By overdue:				
Loans of one year or less:				
< 15 days	78,382	322,699	304,328	1,239,832
15 days – 30 days	190	782	-	-
31 days – 60 days	-	-	482	1,964
61 days – 90 days	1,158	4,767	1,373	5,594
≥ 91 days	10,523	43,323	13,861	56,470
Sub-total (A)	<u>90,253</u>	<u>371,571</u>	<u>320,044</u>	<u>1,303,860</u>

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

9. Loans to customers (continued)

The gross loans to customers are further analysed as follows: (continued)

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
G. By overdue: (continued)				
Loans of more than one year				
< 30 days	21,470,460	88,393,884	14,665,484	59,747,182
≥ 30 days – 89 days	1,119,131	4,607,462	91,758	373,822
≥ 90 days – 179 days	240,348	989,513	70,479	287,131
≥ 180 days – 359 days	208,168	857,028	53,548	218,155
More than 359 days	<u>553,517</u>	<u>2,278,829</u>	<u>301,503</u>	<u>1,228,322</u>
Sub-total (B)	<u>23,591,624</u>	<u>97,126,716</u>	<u>15,182,772</u>	<u>61,854,612</u>
Total (A+B)	<u>23,681,877</u>	<u>97,498,287</u>	<u>15,502,816</u>	<u>63,158,472</u>
H. By ranges of nominal interest rates (per annum):				
	31 December 2022		31 December 2021	
Individual loans	6.50% - 18.00%		6.50% - 18.00%	
Group loans	18.00%		18.00%	
Staff loans	<u>13.20% - 15.60%</u>		<u>13.20% - 15.60%</u>	

10. Other assets

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
<i>Current:</i>				
Prepayments	81,188	334,251	32,812	133,676
Others	40,910	168,427	25,806	105,134
<i>Non-current:</i>				
Deposits	<u>35,134</u>	<u>144,647</u>	<u>37,400</u>	<u>152,368</u>
	<u>157,232</u>	<u>647,325</u>	<u>96,018</u>	<u>391,178</u>

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

11. Property and equipment

2022	Leasehold improvements US\$	Office equipment US\$	Computer and IT equipment US\$	Motor vehicles US\$	US\$	Total KHR'000 (Note 5)
Cost						
At 1 January 2022	94,470	102,030	128,941	19,800	345,241	1,406,512
Additions	31,009	37,405	38,183	7,348	113,945	465,693
Currency translation differences	-	-	-	-	-	18,264
At 31 December 2022	<u>125,479</u>	<u>139,435</u>	<u>167,124</u>	<u>27,148</u>	<u>459,186</u>	<u>1,890,469</u>
Less: Accumulated depreciation						
At 1 January 2022	83,786	69,891	95,919	19,800	269,396	1,097,519
Depreciation for the year	6,974	16,486	16,096	941	40,497	165,511
Currency translation differences	-	-	-	-	-	12,799
At 31 December 2022	<u>90,760</u>	<u>86,377</u>	<u>112,015</u>	<u>20,741</u>	<u>309,893</u>	<u>1,275,829</u>
Carrying amounts						
At 31 December 2022	<u><u>34,719</u></u>	<u><u>53,058</u></u>	<u><u>55,109</u></u>	<u><u>6,407</u></u>	<u><u>149,293</u></u>	<u><u>614,640</u></u>

Included in the cost of property and equipment were items totalling US\$264,969 which were fully depreciated as at 31 December 2022 (31 December 2021: US\$259,411), but are still in active use.

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

11. Property and equipment (continued)

2021	Leasehold improvements US\$	Office equipment US\$	Computer and IT equipment US\$	Motor vehicles US\$	US\$	Total	KHR'000 (Note 5)
Cost							
At 1 January 2021	94,276	87,423	97,940	19,800	299,439		1,211,231
Additions	655	15,450	31,391	-	47,496		193,499
Write-offs	-	-	(600)	-	(600)		(2,444)
Adjustment	(461)	(843)	210	-	(1,094)		(4,457)
Currency translation differences	-	-	-	-	-		8,683
At 31 December 2021	<u>94,470</u>	<u>102,030</u>	<u>128,941</u>	<u>19,800</u>	<u>345,241</u>		<u>1,406,512</u>
Less: Accumulated depreciation							
At 1 January 2021	79,420	54,104	81,889	19,800	235,213		951,437
Depreciation for the year	4,827	16,630	14,420	-	35,877		145,948
Write-offs	-	-	(600)	-	(600)		(2,444)
Adjustment	(461)	(843)	210	-	(1,094)		(4,457)
Currency translation differences	-	-	-	-	-		7,035
At 31 December 2021	<u>83,786</u>	<u>69,891</u>	<u>95,919</u>	<u>19,800</u>	<u>269,396</u>		<u>1,097,519</u>
Carrying amounts							
At 31 December 2021	<u><u>10,684</u></u>	<u><u>32,139</u></u>	<u><u>33,022</u></u>	<u><u>-</u></u>	<u><u>75,845</u></u>		<u><u>308,993</u></u>

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

12. Intangible assets

	Computer software			
	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Cost				
At 1 January	52,680	214,618	52,788	213,527
Additions	39,484	161,371	-	-
Adjustment	-	-	(108)	(440)
Currency translation differences	-	3,450	-	1,531
At 31 December	<u>92,164</u>	<u>379,439</u>	<u>52,680</u>	<u>214,618</u>
Less: Accumulated amortisation				
At 1 January	52,680	214,618	46,004	186,086
Amortisation for the year	3,205	13,099	6,784	27,597
Adjustment	-	-	(108)	(440)
Currency translation differences	-	2,362	-	1,375
At 31 December	<u>55,885</u>	<u>230,079</u>	<u>52,680</u>	<u>214,618</u>
Carrying amounts				
At 31 December	<u>36,279</u>	<u>149,361</u>	<u>-</u>	<u>-</u>

Included in the cost of intangible were items totalling US\$52,680 which were fully depreciated as at 31 December 2022 and 31 December 2021 but are still in active use.

13. Borrowings

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
<i>Current portion:</i>				
Corporates	3,331,182	13,714,476	-	-
Individuals	<u>5,494,000</u>	<u>22,618,798</u>	<u>3,323,873</u>	<u>13,541,459</u>
	8,825,182	36,333,274	3,323,873	13,541,459
<i>Non-current portion:</i>				
Corporates	5,851,586	24,090,980	1,839,232	7,493,031
Individuals	<u>534,724</u>	<u>2,201,459</u>	<u>4,191,667</u>	<u>17,076,851</u>
	6,386,310	26,292,439	6,030,899	24,569,882
Total gross borrowings	15,211,492	62,625,713	9,354,772	38,111,341
Add: Accrued interest payable	<u>129,585</u>	<u>533,501</u>	<u>122,432</u>	<u>498,788</u>
	<u>15,341,077</u>	<u>63,159,214</u>	<u>9,477,204</u>	<u>38,610,129</u>

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

13. Borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities and operating activities:

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Gross borrowings				
At 1 January	9,354,772	38,111,341	8,893,158	35,972,824
Changes from financing cash flows				
Proceeds from borrowings	16,477,548	67,343,739	8,807,064	35,827,136
Repayment of borrowings	(10,594,547)	(43,299,914)	(8,345,450)	(33,949,291)
Currency translation differences	-	578,745	-	260,672
	15,237,773	62,733,911	9,354,772	38,111,341
Amortisation of borrowing fee	(26,281)	(107,410)	-	-
Currency translation differences	-	(788)	-	-
	15,211,492	62,625,713	9,354,772	38,111,341
Accrual Interest payable				
At 1 January	122,432	498,788	143,073	578,730
Changes from operating cash flows				
Interest expense	621,726	2,540,994	535,366	2,177,869
Interest paid	(614,573)	(2,511,760)	(556,007)	(2,261,836)
Currency translation differences	-	5,479	-	4,025
	129,585	533,501	122,432	498,788
At 31 December	15,341,077	63,159,214	9,477,204	38,610,129

The balance of the borrowings is further analysed as follows:

A.	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
By maturity:				
Within 1 month	700,000	2,881,900	751,403	3,061,216
2 to 3 months	1,200,000	4,940,400	700,000	2,851,800
4 to 12 months	6,925,180	28,510,966	1,884,235	7,676,373
1 to 5 years	5,258,655	21,649,883	4,771,482	19,439,018
Over 5 years	1,127,657	4,642,564	1,247,652	5,082,934
	15,211,492	62,625,713	9,354,772	38,111,341

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

13. Borrowings (continued)

The balance of the borrowings is further analysed as follows: (continued)

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
B. By currency:				
Khmer Riel	1,480,677	6,095,947	153,661	626,016
US Dollars	13,730,815	56,529,766	9,201,111	37,485,325
	<u>15,211,492</u>	<u>62,625,713</u>	<u>9,354,772</u>	<u>38,111,341</u>
C. By relationship:				
Related parties	3,234,724	13,317,359	4,093,069	16,675,163
Non-related parties	11,976,768	49,308,354	5,261,703	21,436,178
	<u>15,211,492</u>	<u>62,625,713</u>	<u>9,354,772</u>	<u>38,111,341</u>
D. By interest rate (per annum):				

Annual interest rates applicable to borrowings were as follows:

	31 December 2022	31 December 2021
Khmer Riel	2.00% - 8.00%	2.00% - 6.00%
US Dollars	<u>2.00% - 7.00%</u>	<u>2.00% - 7.50%</u>

14. Subordinated debt

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Subordinated debt (*)	<u>2,202,043</u>	<u>9,065,811</u>	<u>-</u>	<u>-</u>

(*) Subordinated debt amounting to US\$2,750,000 was received from Madam Dith Nita a shareholder with the approval from the National Bank of Cambodia on 9 March 2022. During the year, subordinated debt amounting to US\$550,000 was repaid to the lender with the approval from the National Bank of Cambodia on 23 December 2022.

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

14. Subordinated debt (continued)

Reconciliation of movements of subordinated debt to cash flows arising from financing activities and operating activities:

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Gross Subordinated debt				
At 1 January	-	-	-	-
Changes from financing cash flows				
Proceeds from subordinated debt	2,750,000	11,239,250	-	-
Repayments of subordinated debt	(550,000)	(2,247,850)	-	-
Currency translation differences	-	66,000	-	-
	<u>2,200,000</u>	<u>9,057,400</u>	-	-
Amortisation of borrowing fee	23	94	-	-
Currency translation differences	-	1	-	-
	<u>2,200,023</u>	<u>9,057,495</u>	-	-
Accrual Interest payable				
At 1 January	-	-	-	-
Changes from operating cash flows				
Interest expense	178,900	731,164	-	-
Interest paid	(176,880)	(722,909)	-	-
Currency translation differences	-	61	-	-
	<u>2,020</u>	<u>8,316</u>	-	-
At 31 December	<u>2,202,043</u>	<u>9,065,811</u>	-	-

15. Other liabilities

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Provision for tax reassessment (Note 27B)	38,490	158,463	-	-
Prepayment from customers	29,161	120,056	27,841	113,424
Professional fees	27,775	114,350	16,548	67,417
Accrued and other payable	21,170	87,157	2,811	11,452
Seniority indemnity	10,463	43,076	12,868	52,424
Accrued bonus	13,248	54,542	2,500	10,185
Withholding tax payable	11,386	46,876	6,702	27,304
Others	3,373	13,887	1,362	5,549
	<u>155,066</u>	<u>638,407</u>	<u>70,632</u>	<u>287,755</u>

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

16. Income tax

A. Applicable tax rates

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

According to Prakas 638 issued on 4 July 2017, an entity is eligible to be exempted from payment of minimum tax if it maintained proper accounting records and obtained approval from the General Department of Taxation (“GDT”).

The Company has obtained the proper accounting record and gold status certificate from the GDT on 13 August 2021 and 16 August 2021 respectively. It is exempted from payment of minimum tax for years 2021 and 2022.

During the year, the Company has also obtained the proper accounting record and gold status certificate from the GDT on 5 September 2022 and 8 September 2022 respectively. It is exempted from payment of minimum tax for years 2023 and 2024.

B. Income tax expense

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Current tax expense	99,950	408,496	30,912	125,750
Deferred tax benefit	<u>(38,397)</u>	<u>(156,929)</u>	<u>45,274</u>	<u>184,175</u>
	<u>61,553</u>	<u>251,567</u>	<u>76,186</u>	<u>309,925</u>

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

16. Income tax (continued)

B. 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:

	2022			2021		
	US\$	KHR'000 (Note 5)	%	US\$	KHR'000 (Note 5)	%
Profit before income tax	<u>205,943</u>	<u>841,689</u>		<u>341,252</u>	<u>1,388,213</u>	
Income tax using statutory rate at 20%	41,189	168,339	20%	68,250	277,641	20%
Non-deductible expenses	11,754	48,039	6%	7,936	32,284	2%
Deferred tax not recognised in previous years	<u>8,610</u>	<u>35,189</u>	<u>4%</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income tax expense	<u>61,553</u>	<u>251,567</u>	<u>30%</u>	<u>76,186</u>	<u>309,925</u>	<u>22%</u>

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

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

16. Income tax (continued)

C. Current income tax liability

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	10,108	41,180	28,765	116,354
Recognised in profit or loss	99,950	408,496	30,912	125,750
Income tax paid	(34,285)	(140,123)	(49,569)	(201,647)
Currency translation differences	-	2,404	-	723
At 31 December	<u>75,773</u>	<u>311,957</u>	<u>10,108</u>	<u>41,180</u>

D. Deferred tax liabilities, net

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Deferred tax assets	56,127	231,075	40,254	163,994
Deferred tax liabilities	(57,320)	(235,987)	(79,844)	(325,284)
Deferred tax liabilities, net	<u>(1,193)</u>	<u>(4,912)</u>	<u>(39,590)</u>	<u>(161,290)</u>

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

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Impairment loss allowance	(52,390)	(215,690)	(79,844)	(325,284)
Unearned borrowing processing fee	(4,930)	(20,297)	-	-
Unearned loan processing fee	51,249	210,992	27,277	111,126
Property and equipment	2,785	11,466	8,602	35,045
Unrealised foreign exchange loss	-	-	1,801	7,337
Other provision	2,093	8,617	2,574	10,486
	<u>(1,193)</u>	<u>(4,912)</u>	<u>(39,590)</u>	<u>(161,290)</u>

Movement of net deferred tax assets/(liabilities) is as follows:

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	(39,590)	(161,290)	5,684	22,992
Recognised in profit or loss	38,397	156,929	(45,274)	(184,175)
Currency translation differences	-	(551)	-	(107)
At 31 December	<u>(1,193)</u>	<u>(4,912)</u>	<u>(39,590)</u>	<u>(161,290)</u>

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

17. Share capital

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Registered, issued and fully paid up share capital of 5,593,000 share at US\$1 per share	<u>5,593,000</u>	<u>22,372,000</u>	<u>5,593,000</u>	<u>22,372,000</u>

As at 31 December 2022, the Company's shareholders and their respective interest are as follows:

	31 December 2022/2021		
	% of Ownership	Number of shares	Amount US\$
Madam Ou San	59.69%	3,338,554	3,338,554
Madam Dith Nita	40.31%	2,254,446	2,254,446
	<u>100.00%</u>	<u>5,593,000</u>	<u>5,593,000</u>
Equivalent in KHR'000 (Note 5)			<u>22,372,000</u>

There was no change in shareholders and shareholding structure of the Company during the financial year.

On 12 April 2021, the Company requested to the National Bank of Cambodia ("NBC") to increase the share capital from US\$3,593,000 to US\$5,593,000. On 12 January 2022, the Company obtained approval from the NBC on this increase in share capital. The amendment to the Memorandum and Articles of Association ("M&AA") was endorsed by the Ministry of Commerce on 9 February 2022.

18. Regulatory reserves

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

As at 31 December 2022, the Company transferred from regulatory reserves to retained earnings of US\$41,294 as result from allowance on loans to customers per NBC and per CIFRS for SMEs (2021: transferred from retained earnings to regulatory reserve of US\$223,449).

	Total US\$
31 December 2022	
Allowance per NBC	929,762
Allowance per CIFRS for SMEs	<u>(390,013)</u>
Regulatory reserves (A)	<u>539,749</u>

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

18. Regulatory reserves (continued)

	Total US\$
31 December 2021	
Allowance per NBC	946,378
Allowance per CIFRS for SMEs	<u>(365,335)</u>
Regulatory reserves (B)	<u>581,043</u>
Transfer from regulatory reserves to retained earnings (A) – (B)	<u>(41,294)</u>
KHR'000 (Note 5)	<u>(170,007)</u>

19. Interest income

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Loans to customers	2,789,298	11,399,861	2,142,553	8,715,906
Balances with the National Bank of Cambodia	1,027	4,197	132	537
Balances with banks and financial institutions	<u>166</u>	<u>679</u>	<u>3,758</u>	<u>15,287</u>
	<u>2,790,491</u>	<u>11,404,737</u>	<u>2,146,443</u>	<u>8,731,730</u>

20. Interest expense

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
<i>Short – term:</i>				
Borrowings	372,251	1,521,390	300,566	1,222,702
<i>Long – term:</i>				
Borrowings	249,475	1,019,605	234,800	955,167
Subordinated debt	<u>178,900</u>	<u>731,163</u>	<u>-</u>	<u>-</u>
	<u>800,626</u>	<u>3,272,158</u>	<u>535,366</u>	<u>2,177,869</u>

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

21. Other operating income

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Penalty fees	113,546	464,062	152,822	621,680
Rental income	5,013	20,488	5,715	23,249
Realised foreign exchange loss – net	(718)	(2,935)	(433)	(1,762)
Unrealised foreign exchange loss – net	<u>(15,809)</u>	<u>(64,611)</u>	<u>(8,999)</u>	<u>(36,608)</u>
	<u>102,032</u>	<u>417,004</u>	<u>149,105</u>	<u>606,559</u>

22. Personnel expenses

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Salaries	1,015,578	4,150,667	790,418	3,215,420
Bonuses	95,637	390,868	64,103	260,771
Contribution to national security funds	22,733	92,910	16,064	65,348
Training	13,982	57,145	3,062	12,456
Others	<u>81,367</u>	<u>332,547</u>	<u>76,929</u>	<u>312,948</u>
	<u>1,229,297</u>	<u>5,024,137</u>	<u>950,576</u>	<u>3,866,943</u>

23. Depreciation and amortisation

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Depreciation (Note 11)	40,497	165,511	35,877	145,948
Amortisation (Note 12)	<u>3,205</u>	<u>13,099</u>	<u>6,784</u>	<u>27,597</u>
	<u>43,702</u>	<u>178,610</u>	<u>42,661</u>	<u>173,545</u>

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

24. Other operating expenses

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Rental	144,498	590,563	116,888	475,500
Professional fees	92,564	378,309	36,794	149,678
Fees and taxes	89,731	366,731	37,986	154,527
Travelling and vehicle expenses	63,981	261,490	34,950	142,177
Office supplies and equipment	44,658	182,517	18,335	74,587
Security	29,689	121,339	25,316	102,985
Utilities	28,509	116,516	21,971	89,378
Repairs and maintenance	27,317	111,645	22,128	90,017
Advertising	28,225	115,356	9,882	40,200
Communication	15,232	62,253	14,120	57,440
Entertainment	10,345	42,280	-	-
Printing and copying	1,245	5,088	722	2,937
Others	11,657	47,643	6,021	24,494
	<u>587,651</u>	<u>2,401,730</u>	<u>345,113</u>	<u>1,403,920</u>

25. Related parties

A. Identity of related parties

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

Relationship	Related party
Shareholders:	Refer to Note 17
Madam Ou San Madam Dith Nita	
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).

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

25. Related parties (continued)

B. Transactions with related parties

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Shareholder's closed family member				
Interest expense	<u>333,653</u>	<u>1,363,640</u>	<u>235,720</u>	<u>958,909</u>
Key management personnel (from unit managers up)				
Interest income	7,885	32,226	10,064	40,940
Key remuneration	<u>317,161</u>	<u>1,296,237</u>	<u>271,603</u>	<u>1,104,881</u>

C. Balances with related parties

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Shareholder's closed family member				
Borrowings	3,234,724	13,317,359	4,093,069	16,675,163
Subordinated debt	2,200,023	9,057,495	-	-
Accrued interest payable	<u>65,310</u>	<u>268,881</u>	<u>47,245</u>	<u>192,476</u>
Key management personnel (from unit managers up)				
Loan to staffs	30,821	126,890	76,563	311,918
Accrued interest receivable	<u>222</u>	<u>914</u>	<u>583</u>	<u>2,375</u>

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

26. Classification of financial assets and financial liabilities

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 December 2022	FVTPL US\$	FVOCI US\$	Amortised cost US\$	Less impairment US\$	Total carrying amounts US\$ KHR'000 (Note 5)	
Financial assets						
Cash on hand	-	-	154,412	-	154,412	635,714
Balances with banks and financial institutions	-	-	741,756	-	741,756	3,053,809
Balances with the National Bank of Cambodia	-	-	282,032	-	282,032	1,161,126
Loans to customers	-	-	23,717,342	(390,013)	23,327,329	96,038,613
Other assets	-	-	157,232	-	157,232	647,325
Total financial assets	<u>-</u>	<u>-</u>	<u>25,052,774</u>	<u>(390,013)</u>	<u>24,662,761</u>	<u>101,536,587</u>
Financial liabilities						
Borrowings	-	-	15,341,077	-	15,341,077	63,159,214
Subordinated debt	-	-	2,202,043	-	2,202,043	9,065,811
Other liabilities	-	-	143,680	-	143,680	591,531
Total financial liabilities	<u>-</u>	<u>-</u>	<u>17,686,800</u>	<u>-</u>	<u>17,686,800</u>	<u>72,816,556</u>

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

26. Classification of financial assets and financial liabilities (continued)

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments. (continued)

31 December 2021	FVTPL US\$	FVOCI US\$	Amortised cost US\$	Less impairment US\$	Total carrying amounts	
					US\$	KHR'000 (Note 5)
Financial assets						
Cash on hand	-	-	192,475	-	192,475	784,143
Balances with banks and financial institutions	-	-	630,550	-	630,550	2,568,861
Balances with the National Bank of Cambodia	-	-	328,394	-	328,394	1,337,877
Loans to customers	-	-	15,568,378	(365,335)	15,203,043	61,937,197
Other assets	-	-	96,018	-	96,018	391,178
Total financial assets	<u>-</u>	<u>-</u>	<u>16,815,815</u>	<u>(365,335)</u>	<u>16,450,480</u>	<u>67,019,256</u>
Financial liabilities						
Borrowings	-	-	9,477,204	-	9,477,204	38,610,129
Other liabilities	-	-	63,930	-	63,930	260,451
Total financial liabilities	<u>-</u>	<u>-</u>	<u>9,541,134</u>	<u>-</u>	<u>9,541,134</u>	<u>38,870,580</u>

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

27. Commitments and contingencies

A. Lease commitments

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

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Within 1 year	201,523	829,670	87,317	355,204
1 to 5 years	636,571	2,620,763	28,000	113,904
More than 5 years	48,333	198,987	-	-
	<u>886,427</u>	<u>3,649,420</u>	<u>115,317</u>	<u>469,108</u>

B. Taxation contingencies

On 12 April 2022, the General Department of Taxation (“GDT”) issued a Notice of Tax Reassessment (“NTR”) on the limited tax audit for the period from 1 January 2018 to 31 August 2019, imposing additional tax including penalty and interest of KHR24,419,027 equivalent to US\$5,939. The tax reassessment balance has fully paid on 10 May 2022.

On 21 April 2022, the General Department of Taxation (“GDT”) issued a Notice of Tax Reassessment (“NTR”) on the comprehensive tax audit for the period from 1 January 2018 to 31 August 2019, imposing additional tax including penalty and interest of KHR158,548,556 equivalent to US\$38,490. On 31 December 2022, the amount has been provided in the financial statements (Note 15), and subsequently the Company has fully paid the abovementioned amount to GDT on 21 February 2023.

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.

28. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, unless otherwise indicated.

A. Foreign currency transactions

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

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

28. Significant accounting policies (continued)

A. Foreign currency transactions (continued)

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. 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. Foreign currency differences are generally recognised in profit or loss.

B. Financial instruments

(i). *Recognition*

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

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

(ii). *Classification*

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

(iii). *Derecognition*

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

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

(iv). *Offsetting*

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

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

28. Significant accounting policies (continued)

B. Financial instruments (continued)

(v). *Amortised cost measurement*

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

(vi). *Fair value measurement*

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

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

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

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

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

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

28. Significant accounting policies (continued)

B. Financial instruments (continued)

(vii). *Identification and measurement of impairment*

Objective evidence of impairment

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

Objective evidence that financial assets are impaired includes:

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

Individual and collective assessment

All individually significant assets are individually assessed for impairment.

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

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

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

28. Significant accounting policies (continued)

B. Financial instruments (continued)

(vii). Identification and measurement of impairment (continued)

Individual and collective assessment (continued)

A collective component of the total allowance is established for:

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

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

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

Measurement

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

Reversal of impairment and write offs

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

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

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

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

28. Significant accounting policies (continued)

C. 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 using the effective interest method in the statement of financial position.

D. Balances with banks and financial institutions

Placements with banks are carried at amortised cost using the effective interest method in the statement of financial position.

E. Statutory deposits

Statutory deposits represent capital guarantee deposits maintained with the National Bank of Cambodia (“NBC”) in compliance with the Law on Banking and Financial Institutions (“LBF1”) and are determined by defined percentages of minimum share capital as required by the NBC. 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 carried at amortised cost using the effective interest method in the statement of financial position.

F. 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.

G. Other assets

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

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

28. Significant accounting policies (continued)

H. Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. 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.

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 as follows:

	Useful life
Leasehold improvements	4 years
Office equipment	4 years
Computer and IT equipment	4 years
Motor vehicles	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 year 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.

I. Intangible assets

Intangible assets comprise of computer software is measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible asset is amortised at the rate of 25% per annum or based on the mutual contract agreement for definite useful life and 10% per annum for indefinite useful life using the straight-line method.

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

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

28. Significant accounting policies (continued)

J. 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.

K. Borrowings, subordinated debts and other liabilities

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

L. 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.

M. Employee benefits

(i). Short – term employee benefits

Short – term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

28. Significant accounting policies (continued)

M. Employee benefits (continued)

(ii). Long – term employee benefits

The Company's net obligation in respect of long – term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods, including seniority payment. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

N. 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.

O. Regulatory reserves

Regulatory reserves are set up for the variance of provision between loan impairment in accordance with CIFRS 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%

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

28. Significant accounting policies (continued)

O. Regulatory reserves (continued)

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

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

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

P. Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. 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.

Q. 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.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

28. Significant accounting policies (continued)

R. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

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

S. 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 OCI.

(i). Current tax

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

(ii). Deferred tax

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

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

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

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

CAMMA Microfinance Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

28. Significant accounting policies (continued)

S. Income tax (continued)

(ii). *Deferred tax (continued)*

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.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.