

**G B MICROFINANCE INSTITUTION PLC.**

(Incorporated in Cambodia)

Company No: 00043909

**FINANCIAL REPORT**

For the financial period from 21 June 2019  
(date of incorporation) to 31 December 2020

# **G B MICROFINANCE INSTITUTION PLC.**

(Incorporated in Cambodia on 21 June 2019)

Company No: 00043909

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\* - this does not form part of the audited financial statements.

## **G B MICROFINANCE INSTITUTION PLC.**

(Incorporated in Cambodia on 21 June 2019)

Company No: 00043909

### **DIRECTORS' REPORT**

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The directors hereby submit the report and the audited financial statements of the Company for the financial period from 21 June 2019 (date of incorporation) to 31 December 2020.

### **DIRECTORS**

The names of directors of the Company who served during the financial period and up to the date of this report are as follows:-

Mr. TANG KUONGHOW	Chairman
Mrs. HSU, CHIA-CHIA	Director
Mr. TANG KAOKEAT	Director

### **DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS**

The directors are responsible to ascertain that financial statements are properly drawn up so as to give a true and fair view of the financial position of the Company for the period from 21 June 2019 (date of incorporation) to 31 December 2020 and of the results of its operations and its cash flow for the period then ended. In preparing these financial statements, the directors are required to:

- (i) adopt appropriate accounting policies in compliance with Cambodian International Financial Reporting Standards for Small and Medium-Sized Entities ("CIFRS for SMEs"), supported by reasonable and appropriate judgments and estimates and then apply them consistently;
- (ii) comply with disclosure requirements of CIFRS for SMEs and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements or, if there have been any departure in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) maintain adequate accounting records and an effective system of internal controls;
- (iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue its operation in the foreseeable future; and
- (v) control and direct effectively the Company in all material decisions affecting its operations and performance and ascertain that such decisions and/ or instructions have been properly reflected in the financial statements.

The directors confirm that the Company has complied with the above requirements in preparing the financial statements.

In the opinion of the directors, the accompanying financial statements of the Company are drawn up in accordance with CIFRS for SMEs so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of the results of its operations and its cash flows for the period then ended.

## G B MICROFINANCE INSTITUTION PLC.

(Incorporated in Cambodia on 21 June 2019)

Company No: 00043909

### DIRECTORS' REPORT

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#### PREPARATION OF THE FINANCIAL STATEMENTS

In the preparation of the financial statements, the directors have taken regard of the following matters:-

- (i) all material transfers to or from reserves or provisions during the financial period are disclosed in the financial statements;
- (ii) adequate allowance for impairment losses on receivables and other current and non-current assets, if required, has been made;
- (iii) known bad debts had been written off, if any;
- (iv) existing methods of valuation of assets or liabilities is not misleading or inappropriate;
- (v) there are no known circumstances that would render any amount stated in the financial statements to be misleading;
- (vi) there has not arisen in the interval between the end of the financial period 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 substantially the results of the operations of the Company for the financial period in which this report is made;
- (vii) the results of the operations of the Company during the financial period were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature;
- (viii) 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 period which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

#### APPROVAL OF THE FINANCIAL STATEMENTS

The directors 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 financial period then ended in accordance with CIFRS for SMEs.



TANG KUONGHOW

Chairman

Date: 13<sup>th</sup> April 2021



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF G B MICROFINANCE INSTITUTION PLC.**

(Incorporated in Cambodia on 21 June 2019)  
Company No: 00043909

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

We have audited the financial statements of GB Microfinance Institution Plc. ("the Company") which comprise the statement of financial position as at 31 December 2020 of the Company, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period from 21 June 2019 (date of incorporation) to 31 December 2020, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 40.

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 of its financial performance and its cash flow for the financial period then ended in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs") and guidelines of the National Bank of Cambodia.

#### **Basis of Opinion**

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISA"). Our responsibilities under those standards are further described in *the Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence and Other Ethical Responsibilities**

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.

#### **Information Other than the Financial Statements and Auditors' Report Thereon**

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company 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 the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

#### **Crowe (KH) Co., Ltd**

Chartered Accountants  
Member Crowe International

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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF G B MICROFINANCE INSTITUTION PLC.**

(Incorporated in Cambodia on 21 June 2019)

Company No: 00043909

### **Responsibilities of Director for the Financial Statements**

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with (CIFRS for SMEs) and guidelines of the National Bank of Cambodia. The directors are also responsible for such internal controls as the directors determine are 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 of the Company, the directors are 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 the directors either intends to liquidate the Company or to ceases operations, or have no realistic alternative but to do so.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company 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 CISA 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 a part of an audit in accordance with CISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:-

- identify and assess the risks of material misstatement of the financial statements of the Company, 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 the director.
- conclude on the appropriateness of the directors' 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 of the Company 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
G B MICROFINANCE INSTITUTION PLC.**

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**Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)**

- evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the director 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.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements denominated in the functional currency of United States Dollar ("USD"). The translation of the financial statements from USD into Khmer Riel ("KHR") using the closing and average rates as at 31 December 2020 and for the year then ended, respectively, is presented for the purpose of additional analysis and it does not form an integral part of the audited financial statements. The translation has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express any opinion on it.

**Crowe (KH) Co., Ltd.**

  
**Onn Kien Hoe**  
Director



Phnom Penh, Kingdom of Cambodia

Date: 13 April 2021

**G B MICROFINANCE INSTITUTION PLC.**

(Incorporated in Cambodia on 21 June 2019)

Company No: 00043909

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020**

	Note	2020 USD	2020 KHR'000
<b>ASSETS</b>			
Cash on hand	5	9,203	37,226
Deposits and placement with banks	6	61,196	247,538
Loans and advances to customers	7	1,532,654	6,199,585
Other assets	8	42,293	171,075
Statutory deposit	9	100,000	404,500
Equipment	10	67,291	272,192
Intangible asset	11	67,472	272,924
<b>TOTAL ASSETS</b>		<b>1,880,109</b>	<b>7,605,041</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Loans from third parties	12	200,000	809,000
Other liabilities	13	26,369	106,663
<b>TOTAL LIABILITIES</b>		<b>226,369</b>	<b>915,663</b>
<b>EQUITY</b>			
Share capital	14	2,000,000	8,000,000
Regulatory reserve	15	5,657	22,882
Accumulated losses		(351,917)	(1,423,504)
Translation reserve		-	90,000
<b>TOTAL EQUITY</b>		<b>1,653,740</b>	<b>6,689,378</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,880,109</b>	<b>7,605,041</b>



**G B MICROFINANCE INSTITUTION PLC.**

(Incorporated in Cambodia on 21 June 2019)

Company No: 00043909

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020**

	Note	2020 USD	2020 KHR'000
Interest income	16	161,570	653,551
Interest expense	17	3,451	13,959
Gross profit		158,119	639,591
Other operating income	18	10,002	40,458
Personnel cost	19	303,892	1,229,243
Depreciation of equipment	10	21,082	85,277
Amortization expense	11	15,208	61,516
Other operating expenses	20	162,822	658,615
Allowance for impairment losses on loans	7	9,767	39,508
Loss before tax		(344,650)	(1,394,109)
Income tax expense	21	1,610	6,512
Loss after tax		(346,260)	(1,400,622)
Other comprehensive income		-	-
Total comprehensive expense for the year		(346,260)	(1,400,622)

**G B MICROFINANCE INSTITUTION PLC.**

(Incorporated in Cambodia on 21 June 2019)

Company No: 00043909

**STATEMENT OF CHANGE IN EQUITY  
FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020**

	Note	Share Capital USD	Regulatory Reserve USD	Accumulated losses USD	Total USD
Balance at 21.6.2019 (date of incorporation)					
Share issuance		2,000,000	-	-	2,000,000
Loss for the 21.6.2019 (date of incorporation)		-	-	(346,260)	(346,260)
Transfer		-	5,657	(5,657)	-
Balance at 31.12.2020		<u>2,000,000</u>	<u>5,657</u>	<u>(351,917)</u>	<u>1,653,740</u>

	Note	Share Capital KHR'000	Regulatory Reserve KHR'000	Accumulated losses KHR'000	Translation reserve KHR'000	Total KHR'000
Balance at 21.6.2019 (date of incorporation)						
Share issuance		8,000,000	-	-	-	8,000,000
Loss for the 21.6.2019 (date of incorporation)		-	-	(1,400,622)	-	(1,400,622)
Transfer		-	22,882	(22,882)	-	-
Translation differences		-	-	-	90,000	90,000
Balance at 31.12.2020		<u>8,000,000</u>	<u>22,882</u>	<u>(1,423,504)</u>	<u>90,000</u>	<u>6,689,378</u>

**G B MICROFINANCE INSTITUTION PLC.**

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**STATEMENT OF CASH FLOW  
FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020**

	Note	2020 USD	2020 KHR'000
<b>CASH FLOWS FOR OPERATING ACTIVITIES</b>			
Loss before tax		(344,650)	(1,394,109)
Adjustments for: -			
Impairment allowance		9,767	39,508
Depreciation of equipment	10	21,082	85,277
Amortization expense	11	15,208	61,516
Interest expense	17	3,451	13,959
Operating loss before working capital changes			
		(295,142)	(1,193,849)
Working capital changes:			
- loans and advance to customers	7	(1,542,421)	(6,239,093)
- other assets	8	(42,293)	(171,075)
- statutory deposit	9	(100,000)	(404,500)
- other liabilities	13	26,369	106,663
Cash used in operations			
		(1,953,487)	(7,901,854)
Income tax paid		(1,610)	(6,512)
<b>NET CASH FLOWS FOR OPERATING ACTIVITIES</b>			
		(1,955,097)	(7,908,366)
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>			
Purchase of equipment	10	(88,373)	(357,467)
Purchase of intangible asset	11	(82,680)	(334,444)
<b>NET CASH FOR INVESTING ACTIVITIES</b>			
		(171,053)	(691,911)

**G B MICROFINANCE INSTITUTION PLC.**

(Incorporated in Cambodia on 21 June 2019)

Company No: 00043909

**STATEMENT OF CASH FLOW****FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020**

## CASH FLOW FOR FINANCING ACTIVITIES

Loans from third parties	12	200,000	809,000
Interest paid	17	(3,451)	(13,959)
Proceeds from issuance of ordinary shares	14	<u>2,000,000</u>	<u>8,000,000</u>
NET CASH FROM FINANCING ACTIVITIES		<u>2,196,549</u>	<u>8,795,041</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS		70,399	194,764
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		-	-
TRANSLATION DIFFERENCE		<u>-</u>	<u>90,000</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD		<u>70,399</u>	<u>284,764</u>

Cash and cash equivalents comprise: -

Cash on hand	5	9,203	37,226
Deposits and placement with banks	6	<u>61,196</u>	<u>247,538</u>
Total		<u>70,399</u>	<u>284,764</u>

## **G B MICROFINANCE INSTITUTION PLC.**

(Incorporated in Cambodia on 21 June 2019)

Company No: 00043909

### **NOTE TO FINANCIAL STATEMENTS**

#### **FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020**

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#### **1. GENERAL INFORMATION**

G B Microfinance Institution Plc (“the Company”) was incorporated in Cambodia and registered with the Ministry of Commerce on 21 June 2019 under Registration No. 00043909 and commenced its commercial operations in August 2019. On 22 October 2019, the Company obtained a licence from the National Bank of Cambodia (“NBC”) to operate as a microfinance institution.

Registered office: #J137, Street Lum, Sangkat Tonle Bassac, Khan Chamkar Mon, Phnom Penh, Kingdom of Cambodia.

Principal of business: #J137, Street Lum, Sangkat Tonle Bassac, Khan Chamkar Mon, Phnom Penh, Kingdom of Cambodia.

The financial statements were authorised for issue by the directors on 13<sup>th</sup> April 2021.

#### **2. PRINCIPAL ACTIVITIES**

The Company is principally engaged in all aspects of micro-finance services business and the provision of related financial service in Cambodia.

There have been no significant changes in the nature of the principal activities during the financial period.

#### **3. BASIS OF PREPARATION**

The financial statements of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with the guidelines issued by the NBC and Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRS for SMEs”).

This is the Company’s first set of financial statements prepared since its incorporation.

## **G B MICROFINANCE INSTITUTION PLC.**

(Incorporated in Cambodia on 21 June 2019)

Company No: 00043909

### **NOTE TO FINANCIAL STATEMENTS**

#### **FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020**

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#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

###### *Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period other than as disclosed below: -

###### **(a) Impairment on Loans and Advances to Customers**

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and advances and analyses their ageing profile, historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

###### **(b) Income Taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

###### *Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Company's accounting policies which will have a significant effect on the amounts recognised in the financial statements.

## **G B MICROFINANCE INSTITUTION PLC.**

(Incorporated in Cambodia on 21 June 2019)

Company No: 00043909

### **NOTE TO FINANCIAL STATEMENTS**

#### **FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020**

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **4.2 FUNCTIONAL AND PRESENTATION CURRENCIES**

###### **(a) Functional and Presentation Currency**

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates, which is the functional currency.

The financial statements are presented in US Dollar ("USD"), which is the Company's functional and presentation currency.

The translation of the USD amounts into Khmer Riel ("KHR") is presented in the financial statements to comply with the Law on Accounting and Auditing dated 11 April 2016 using the closing and average rates for the year then ended, as announced by the General Department of Taxation of Cambodia.

The financial statements are presented in KHR based on the following applicable exchange rates per USD1:

	2020
Closing rate	4,045

Amounts in the financial statements have been rounded off to the nearest dollar and nearest thousand for USD and KHR amounts, respectively.

###### **(b) Foreign Currency Transactions and Balances**

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition using exchange rates at the transaction dates. At the end of the reporting period, foreign currency monetary assets and liabilities are retranslated at the exchange rates of that date. Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting.

All foreign currency exchange differences arising from the settlement of monetary items or on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

## **G B MICROFINANCE INSTITUTION PLC.**

(Incorporated in Cambodia on 21 June 2019)

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### **NOTE TO FINANCIAL STATEMENTS**

#### **FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020**

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **4.3 FINANCIAL INSTRUMENTS**

###### **(a) Initial recognition and measurement**

Financial assets and financial liabilities are recognised in the statements of financial position when the Company has become a party to the contractual provisions of the instruments.

A financial instrument is recognised initially at the transaction price, including transaction costs. For a financial asset or a financial liability that is subsequently measured at fair value through profit or loss, transaction costs are recognised in profit or loss when incurred.

An arrangement constitutes a financing transaction if payment is deferred beyond normal business terms. Under a financing transaction, a financial asset or a financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument as determined at initial recognition. Any fair value adjustment upon the initial recognition is recognised in profit or loss immediately as a gain or loss if that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets; otherwise, the difference is charged to profit or loss on a straight-line method over the contractual terms of the financial instrument.

###### **(b) Subsequent measurement**

Debt instruments that are classified as current assets or current liabilities are measured at the undiscounted amount of cash or other consideration expected to be paid or received unless the arrangement constitutes, in effect, a financing arrangement. Other debt instruments are measured at amortised cost using the effective interest method.

Other than the above, all financial assets and financial liabilities are measured at fair value with changes in fair value recognized in profit or loss.



## **G B MICROFINANCE INSTITUTION PLC.**

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### **NOTE TO FINANCIAL STATEMENTS**

#### **FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020**

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **4.3 FINANCIAL INSTRUMENTS (CONT'D)**

###### **(c) Derecognition**

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or financial asset is transfer to another party without retaining control or substantially all risks and rewards of asset. On derecognition of a financial asset, the difference between the carrying amount and the consideration received (including any new liability assumed) and is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires.

A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

###### **(d) Ordinary share**

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

##### **4.4 EQUIPMENT**

All items of equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of parts that are replaced is derecognised.

Depreciation is charged to profit or loss on a declining method to write off the depreciable amount of the assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Leasehold improvement	20%
Furniture and fixtures	25%
Office equipment	25%
Computer equipment	25%
Motor vehicles	25%

## **G B MICROFINANCE INSTITUTION PLC.**

(Incorporated in Cambodia on 21 June 2019)

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### **NOTE TO FINANCIAL STATEMENTS**

#### **FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020**

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **4.4 EQUIPMENT (CONT'D)**

The depreciation method, useful lives and residual values will be reviewed if there is a significant change since the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits. Any changes are accounted for as a change in accounting estimate.

Any gain or loss arising from the disposal of equipment is recognised in profit or loss.

##### **4.5 INTANGIBLE ASSETS**

Intangible assets represent the initial costs incurred for the banking software.

Following initial recognition, intangible assets are stated at cost less accumulated amortization and any accumulated impairment losses.

Intangible assets are assessed to have finite useful lives and are amortized over the license period using straight line method. The intangible assets are also assessed for impairment whenever there is an indication that they may be impaired. Intangible assets are amortized as below: -

Intangible asset	20%
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##### **4.6 IMPAIRMENT**

###### **(a) Impairment of Financial Assets**

All financial assets (except for financial assets measured at fair value through profit or loss) are assessed for impairment at each reporting date when there is an objective evidence of impairment.

For a financial asset measured at amortised cost, the impairment loss is the difference between the financial asset's carrying amount and the present value of estimated cash flows discounted at the financial asset's original effective rate.

For a financial asset measured at cost less impairment, the impairment loss is the difference between the financial asset's carrying amount and the best estimate of the amount that would be received for the financial asset if it were to be sold at the reporting date.

All impairment losses are recognised in profit or loss immediately.

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 loss was recognised, the previous recognised impairment loss is reversed to the extent that the carrying amount of the financial asset does not exceed its amortised cost at the reversal date. The amount of impairment reversal is recognised in profit or loss.

## G B MICROFINANCE INSTITUTION PLC.

(Incorporated in Cambodia on 21 June 2019)

Company No: 00043909

### NOTE TO FINANCIAL STATEMENTS

### FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.6 IMPAIRMENT (CONT'D)

###### (a) Impairment of Financial Assets (Cont'd)

###### Loans and advances to customers

On 1 December 2017, NBC issued a new Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning for ensuring appropriate recognition, measurement, provisioning and reporting of impaired facilities of the institutions. Facilities under this Prakas are defined as all loans and other financial products, whether reported on balance sheet or off-balance sheet, provided by an Institution to a counterparty, which give rise to credit risk exposure on the Institution.

On 16 February 2018, NBC issued Circular No. B7-018-001 clarifying on implementation of Prakas on Credit Risk Grading and Impairment Provisioning.

According to the new Circular and during the transitional period (from 1 December 2017 to 31 December 2018), the Company is required to calculate the allowance for impaired facilities in accordance with regulatory provision of which facilities are classified into 5 classes with allowance rates as follows: -

<b>Classifications Allowance</b>	<b>Number of days past due</b>	
<b>1. General allowance</b>		
<i>Short-term facilities (one year or less):</i>		
Normal	0-14 days	1%
<i>Long-term facilities (more than one year):</i>		
Normal	0-29 days	1%
<b>2. Specific allowance</b>		
<i>Short-term facilities (one year or less):</i>		
Special mention	15-30 days	3%
Sub-standard	31-60 days	20%
Doubtful	61-90 days	50%
Loss	91 days & above	100%
<i>Long-term facilities (more than one year):</i>		
Special mention	30-89 days	3%
Sub-standard	90-179 days	20%
Doubtful	180-359 days	50%
Loss	360 days & above	100%

The regulatory provision applies to all on and off-balance sheet facilities of banks and financial institutions.

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **4.6 IMPAIRMENT (CONT'D)**

###### **(a) Impairment of Financial Assets (Cont'd)**

###### Loans and advances to customers (Cont'd)

The Prakas also requires the comparison of the regulatory provision with the impairment provision determined based on CIFRS for SMEs. In case the regulatory provision calculated in accordance with Prakas is lower than impairment loss determined based on CIFRS for SMEs, the Company shall recognise the impairment loss calculated in accordance with CIFRS for SMEs. In the case the regulatory provision is higher than impairment loss, the Company shall recognise the impairment loss in accordance with CIFRS for SMEs and transfer the difference from retained earnings into regulatory reserve. The Company has presented the regulatory reserve in the statement of changes in equity.

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realizable value of the collateral, if any when in the judgment of the management, there is no prospect of recovery. Recoveries on loans previously written off are disclosed as other income in the statement of profit or loss.

The evaluation of the adequacy of the allowance for the loan losses is based on the management's judgment of the amount necessary to maintain the allowance at a level adequate to absorb losses.

The allowance policy is based on the management's experience in relation to size of the portfolios, previous loss experience, current economic conditions and their effect on individual clients and the performance of individual loans in relation to contract terms. Bad loans are being written off when it sees fit.

###### **(b) Impairment of Non-Financial Assets**

The carrying values of assets, other than those to which Section 27 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that assets might be impaired.

Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **4.6 IMPAIRMENT (CONT'D)**

###### **(b) Impairment of Non-Financial Assets (Cont'd)**

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

##### **4.7 CASH AND CASH EQUIVALENTS**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with original maturity of three months or less from the date of acquisition, including cash on hand, the non-restricted balances with NBC and balances with banks and other financial institutions.

##### **4.8 STATUTORY DEPOSITS WITH NATIONAL BANK OF CAMBODIA**

Balances with the NBC including statutory deposits are stated at cost. Statutory deposits are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by defined percentages of minimum share capital and customers' deposits as required by the NBC. The amounts are not available to finance the Company's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

##### **4.9 LEASES**

All leases that do not transfer substantially to the Company all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Company.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease.

##### **4.10 PROVISIONS**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **4.11 EMPLOYEE BENEFITS**

Wages, salaries, paid annual leave, bonuses and social security contributions are measured on an undiscounted basis and are recognised in profit and loss in the period in which the associated services are rendered by employees.

##### **4.12 INCOME TAX**

###### **(a) Current Tax**

Current tax assets and liabilities is expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

###### **(b) Deferred Tax**

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets recognised are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

###### **(c) Value added tax ("VAT")**

Revenues, expenses and assets are recognised net of VAT except for the VAT in a purchase of assets or services which are not recoverable from the taxation authorities, the VAT are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of VAT included (where applicable).

The net amount of the VAT recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other-payables.

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#### **FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020**

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **4.12 INCOME TAX (CONT'D)**

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

##### **4.13 REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME**

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring services to a customer net of sales and service tax, returns, rebates and discounts. The Company recognises revenue when (or as) it transfers control over a service to customer. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

###### **(a) Interest Income**

Interest income is recognised on an accrual basis, based on the effective interest method. Interest income on performing loans and advances, and deposits and placements with banks are recognised on a daily accrual basis.

The policy on the suspension of interest is in conformity with the National Bank of Cambodia's guidelines on the suspension of interest on non-performing loans and provision for loan losses.

###### **(b) Fee and commission income**

Loan arrangement fee and commissions are recognised in the statement of income when all the conditions precedent are fulfilled.

Service charges, processing fees and other operating income are recognised when the right to receive payment is established.

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**NOTE TO FINANCIAL STATEMENTS****FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020****5. CASH ON HAND**

	<b>2020</b> USD	<b>2020</b> KHR'000
US Dollars	8,500	34,383
Khmer Riels	703	2,843
	<u>9,203</u>	<u>37,226</u>

**6. DEPOSITS AND PLACEMENTS WITH BANKS**

	<b>2020</b> USD	<b>2020</b> KHR'000
Current account		
- With Bank	59,966	242,563
- With National bank of Cambodia	<u>1,230</u>	<u>4,975</u>
	<u>61,196</u>	<u>247,538</u>
By currency		
Khmer Riels	202	817
US Dollars	<u>60,994</u>	<u>246,721</u>
	<u>61,196</u>	<u>247,538</u>

**7. LOANS AND ADVANCES TO CUSTOMERS**

	<b>2020</b> USD	<b>2020</b> KHR'000
Individual loans	<u>1,542,421</u>	<u>6,239,093</u>
Gross loans and advances	1,542,421	6,239,093
Allowance for impairment losses	<u>(9,767)</u>	<u>(39,058)</u>
Net loans and advances to customers	<u>1,532,654</u>	<u>6,199,585</u>



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**NOTE TO FINANCIAL STATEMENTS****FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020****7. LOAN AND ADVANCE TO CUSTOMERS (CONT'D)**

Changes in allowance for impairment losses are as follow:

	<b>2020</b>	<b>2020</b>
	USD	KHR'000
At 21.6.2019 (date of incorporation)	-	-
Transfer to profit or loss	(9,767)	(39,058)
Translation difference	-	-
	<u>                    </u>	<u>                    </u>
At 31.12.2020	<u>(9,767)</u>	<u>(39,058)</u>

Further analysis of the above loans and advances is provided as below:

	<b>2020</b>	<b>2020</b>
	USD	KHR'000
(a) By maturity period		
From one to seven months	-	-
From seven months to one year	-	-
From one year to three years	-	-
From three years to five years	-	-
From five to seven years	129,652	524,443
From seven years to fifteen years	1,412,769	5,714,650
	<u>1,542,421</u>	<u>6,239,093</u>
(b) By performance		
Standard loans:		
- Secured	1,537,971	6,221,093
- Unsecured	4,450	18,000
Special mention loans:		
- Secured	-	-
- Unsecured	-	-
Substandard loans:		
- Secured	-	-
- Unsecured	-	-
Doubtful loans:		
- Secured	-	-
- Unsecured	-	-
Loss loans:		
- Secured	-	-
- Unsecured	-	-
	<u>1,542,421</u>	<u>6,239,093</u>

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**NOTE TO FINANCIAL STATEMENTS****FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020****7. LOAN AND ADVANCE TO CUSTOMERS (CONT'D)**

	<b>2020</b>	<b>2020</b>
	USD	KHR'000
(c) By currency denomination		
USD	1,537,971	6,221,093
KHR	4,450	18,000
	<u>1,542,421</u>	<u>6,239,093</u>
(d) By status of residence		
Residents	<u>1,542,421</u>	<u>6,239,093</u>
(e) By relationship		
Related party	4,450	18,000
Non- related party	1,537,971	6,221,093
	<u>1,542,421</u>	<u>6,239,093</u>
(f) By industry:		
Constructions	<u>1,542,421</u>	<u>6,239,093</u>
(g) By large exposure		
Non large exposure	-	-
	<u>                    </u>	<u>                    </u>
	<b>2020</b>	
(h). By interest rate per annum		
- Loans to customers		12%

**8. OTHER ASSETS**

	<b>2020</b>	<b>2020</b>
	USD	KHR'000
Interest receivable	16,443	66,512
Prepayments	12,360	49,996
Others	13,490	54,567
	<u>42,293</u>	<u>171,075</u>

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**NOTE TO FINANCIAL STATEMENTS****FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020****9. STATUTORY DEPOSIT**

	<b>2020</b> USD	<b>2020</b> KHR'000
Statutory deposit placed with NBC	<u>100,000</u>	<u>404,500</u>

The Company is required to maintain a statutory deposit of five percent of its capital to comply with the NBC's Prakas No. B7-00-06 dated 11 January 2000 and Prakas No. B7-06-209 dated 13 September 2006. The deposit is not available for the Company's daily operation and is refundable when the Company voluntarily liquidates its activities and has no deposit liabilities. This 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 Dollar.

**10. EQUIPMENT**

	<b>As at</b> <b>21.6.2019</b> USD	<b>Additions</b> USD	<b>Disposal</b> USD	<b>Depreciation</b> USD	<b>As at</b> <b>31.12.2020</b> USD
Net Book Value					
Leasehold improvement	-	20,278	-	(4,367)	15,911
Furniture and fixtures	-	14,714	-	(3,801)	10,913
Office equipment	-	9,101	-	(2,366)	6,735
Computer equipment	-	41,931	-	(10,058)	31,873
Motor vehicles	-	2,350	-	(490)	1,859
	-	<u>88,373</u>	-	<u>(21,082)</u>	<u>67,291</u>
	<b>At</b> <b>21.6.2019</b> KHR'000	<b>Additions</b> KHR'000	<b>Disposal</b> KHR'000	<b>Depreciation</b> KHR'000	<b>At</b> <b>31.12.2020</b> KHR'000
Net Book Value					
Leasehold improvement	-	82,023	-	(17,665)	64,358
Furniture and fixtures	-	59,516	-	(15,375)	44,141
Office equipment	-	36,811	-	(9,570)	27,241
Computer equipment	-	169,611	-	(40,685)	128,928
Motor vehicles	-	9,506	-	(1,982)	7,524
	-	<u>357,467</u>	-	<u>(85,277)</u>	<u>272,192</u>

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**NOTE TO FINANCIAL STATEMENTS****FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020****10. EQUIPMENT (COUNT'D)**

	<b>At Cost USD</b>	<b>Accumulated Depreciation USD</b>	<b>Net Book Value USD</b>
As at 31 December 2020			
Leasehold improvement	20,278	(4,367)	15,911
Furniture and fixtures	14,714	(3,801)	10,913
Office equipment	9,101	(2,366)	6,735
Computer equipment	41,931	(10,058)	31,873
Motor vehicles	2,350	(490)	1,859
	<hr/>	<hr/>	<hr/>
	88,373	(21,082)	67,291

	<b>At Cost KHR'000</b>	<b>Accumulated Depreciation KHR'000</b>	<b>Net Book Value KHR'000</b>
As at 31 December 2020			
Leasehold improvement	82,023	(17,665)	64,358
Furniture and fixtures	59,516	(15,375)	44,141
Office equipment	36,811	(9,570)	27,241
Computer equipment	169,611	(40,685)	128,928
Motor vehicles	9,506	(1,982)	7,524
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	357,467	(85,277)	272,192

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**NOTE TO FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020****11. INTANGIBLE ASSET**

	<b>2020</b> USD	<b>2020</b> KHR'000
IT software		
<b>Cost</b>		
At 21.6.2019	-	-
Addition	82,680	334,444
Translation difference	-	-
At 31 December	<u>82,680</u>	<u>334,444</u>
<b>Less Accumulated amortization</b>		
At 21.6.2019	-	-
Addition	15,208	61,516
Translation difference	-	4
At 31.12.2020	<u>15,208</u>	<u>61,520</u>
<b>At 31 December</b>	<u><u>67,472</u></u>	<u><u>272,924</u></u>

**12. LOANS FROM THIRD PARTIES**

The loans from third parties are unsecured, bore interest at the rate of 6.5% per annum and are repayable within days 20 of each month.

**13. OTHER LIABILITIES**

	<b>2020</b> USD	<b>2020</b> KHR'000
Accrued expenses	25,343	102,512
Interest expense	356	1,440
Others	670	2,771
	<u>26,369</u>	<u>106,663</u>

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**NOTE TO FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020****14. SHARE CAPITAL**

	<b>2020</b> USD	<b>2020</b> KHR'000
Register share capital	2,000,000	8,000,000

The Company was incorporated on 21.6.2019 with the issuance of 10,000 of ordinary shares of USD 200.

**15. REGULATORY RESERVE**

	<b>2020</b> USD	<b>2020</b> KHR'000
Regulatory reserve	5,657	22,883

**16. INTEREST INCOME**

	<b>2020</b> USD	<b>2020</b> KHR'000
Loans and advances	160,999	651,241
Deposits and placements with banks	571	2,310
	<u>161,570</u>	<u>653,551</u>

**17. INTEREST EXPENSE**

This relates to interest payable on the loans from third parties.

**18. OTHER OPERATING INCOME**

	<b>2020</b> USD	<b>2020</b> KHR'000
Other income	10,002	40,458
	<u>10,002</u>	<u>40,458</u>

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**NOTE TO FINANCIAL STATEMENTS****FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020****19. PERSONNEL COST**

	<b>2020</b>	<b>2020</b>
	USD	KHR'000
Salaries and bonuses	253,077	1,023,696
Holiday allowances	12,449	50,356
Incentives	14,500	58,653
Employee overtime expense	298	1,206
Employee training and work-related expense	644	2,606
Employee medical expense	219	887
Employee seniority payment	15,322	61,978
Staff uniform	2,480	10,027
Insurance NSSF	1,564	6,325
Staff recruitment	3,340	13,509
	<u>303,892</u>	<u>1,229,243</u>

At the end of the financial period, the total number of employees of the Company is 16.

**20. OTHER OPERATING EXPENSES**

	<b>2020</b>	<b>2020</b>
	USD	KHR'000
Office expense	13,350	54,001
Occupancy expenses	62,730	253,742
Travel expenses	261	1,056
Contribution to community	121	491
Other general and administrative expenses	77,939	315,263
Miscellaneous expenses	8,421	34,062
	<u>162,822</u>	<u>658,615</u>

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**NOTE TO FINANCIAL STATEMENTS****FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020****21. INCOME TAX EXPENSE**

Under Cambodia's Law on Taxation, the Company's is obliged to pay corporate income tax either at the tax rate of 20% of taxable profit, or at the minimum tax rate of 1% of total revenue, whichever is the higher.

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective rate of the Company is as follows:

	<b>2020</b>	<b>2020</b>
	USD	KHR'000
(Loss) before tax	(344,650)	(1,394,109)
Income tax at Cambodian tax rate 20%	(68,930)	(278,822)
Tax effect of non-deductible items	5,647	22,842
Deferred tax assets not recognized	63,274	255,944
Minimum tax	1,610	6,512
Others	9	36
	<u>1,610</u>	<u>6,512</u>



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### **NOTE TO FINANCIAL STATEMENTS**

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#### **22. TAX CONTINGENCIES**

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

These facts may create tax risks in Cambodia, substantially more compared to other countries. Management believes that tax liabilities have been adequately provided based on its interpretation of tax legislations.

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

#### **23. LEASE COMMITMENT**

The Company leases an office under a cancellable operating lease. The lease period is from 1 August 2019 to 31 July 2024 with an option to renew after that date. The Company is restricted from sub-leasing the leased assets to third parties.

The future minimum lease payments under the cancellable operating leases are as follows: -

	<b>2020</b> USD	<b>2020</b> KHR'000
Not more than 1 year	38,936	157,496
Later than 1 year but not later than 5 year	135,497	548,086
	<u>174,433</u>	<u>705,582</u>

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#### 24. FINANCIAL INSTRUMENTS

##### 24.1 CATEGORIES OF FINANCIAL INSTRUMENTS

	2020 USD	2020 KHR'000
<b>Financial Assets</b>		
<u>Amortised Cost</u>		
Cash on hand	9,203	37,226
Deposits and placement with banks	61,196	247,538
Statutory deposit	100,000	404,500
Loans and advances to customers	1,532,654	6,199,585
Other assets	42,293	171,075
	<u>1,745,346</u>	<u>7,059,924</u>
<b>Financial Liabilities</b>		
<u>Amortised Cost</u>		
Loan from third parties	200,000	809,000
Other liability	<u>26,369</u>	<u>106,663</u>
	<u>226,369</u>	<u>915,663</u>

The main risks arising from the Company's financial instruments in the normal course of business are operational risk, credit risk, market risk and liquidity risk.

The Company does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to manage its risk exposures.

These risks are limited by the Company's financial management policies and practices described below.

##### 24.2 OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The operational risk losses is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the senior management of the Company.

The Company's operational risk management entails the establishment of clear organisational structures, roles and control policies. Various internal control policies and measures have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation and compliance with regulatory and other legal requirements.

## **G B MICROFINANCE INSTITUTION PLC.**

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#### **FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020**

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## **24. FINANCIAL INSTRUMENTS (CONT'D)**

### **24.3 CREDIT RISK**

Credit risk is the potential loss of revenue and principal losses in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending and investing activities.

The primary exposure to credit risk arises through its loans to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the statement of financial position. The lending activities are guided by the Company's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loans portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes and procedures implemented to ensure compliance with NBC Guidelines.

The Company holds collateral against loans to customers in the form of mortgage interests over property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as doubtful.

#### **(a) Credit risk measurement**

Procedures of risk limit setting, monitoring, usage, and control are governed by credit programs which set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured.

The Company assesses the probability of default of individual counterparties by focusing on borrowers' forecast profit and cash flows.

#### **(b) Risk limit control and mitigation policies**

The Company manages limits and controls concentration of credit risk whenever they are identified.

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet interest and capital repayment obligations and reviewing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral as well as by providing for loan losses. Limits on level of credit risk by product and industry sector are approved by the Directors.

In general, most of the Company's loans and advances to customers are secured from of collateral pledged to the Company, and according the Company normally assumes minimal risks.

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## (c) Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provisioning in accordance with the relevant Prakas issued by NBC, as stated in note 4.6 to the financial statements.

Loans and advances past due 30 days but less than 90 days (15 days to 30 days for short-term loans and advances) are not considered impaired, unless other information available indicates otherwise. A minimum level of specific for impairment is depending on the classification concerned.

The information about the exposure to credit risk and the loss allowances calculated under CIFRS for SMEs for loans and advances are summarised below: -

	Gross Amount USD	Individual Impairment USD	Collective Impairment USD	Carrying Amount USD
<b>2020</b>				
Not past due	1,542,421	-	(9,767)	1,532,654
Past due:	-	-	-	-
- less than 3 months	-	-	-	-
- 3 to 6 months	-	-	-	-
- more than 6 months	-	-	-	-
- more than 1 year	-	-	-	-
	<u>1,542,421</u>	<u>-</u>	<u>(9,767)</u>	<u>1,532,654</u>

## (d) Maximum exposure to credit risk before collateral held or other credit enhancements.

	<b>2020</b> USD	<b>2020</b> KHR'000
<b>Credit risks exposures relating to on-balance sheet assets:</b>		
Deposit with banks	61,196	247,538
Statutory deposit	100,000	404,500
Loans and advances	1,532,654	6,199,585
Other assets	42,293	171,075
	<u>1,736,143</u>	<u>7,022,698</u>

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## **24. FINANCIAL INSTRUMENTS (CONT'D)**

### **24.3 CREDIT RISK (CONT'D)**

The table above represents the maximum credit risk exposure to the Company as at 31 December 2020, without taking into account any collateral held or other credit enhancements 100% of the total maximum credit exposure is derived from loans and advances to customers in Cambodia.

(e) Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Company after deducting any allowance for impairment losses (where applicable).

*Write-off policy*

In compliance with NBC Guidelines, the Company shall remove a loan/advance or a portion of a loan from its balance sheet when the Company loses control of the contractual rights over the loan or when all or part of a loan is deemed uncollectible; or there is no realistic prospect of recovery.

*Collateral*

The Company holds collateral against loans and advances in the form of mortgage interests over property and/or guarantees. Estimates of fair value are based on the value of collateral assessed on an annual basis. There were no non-financial assets obtained by the Company during the year by taking possession of collateral held as security against loans and advances. The repossessed properties have to be sold within one year as the required by the NBC Guidelines and are classified in the statement of financial position as foreclosed property.

*Concentration of credit risk*

The credit exposure of the Company as at 31 December 2020 is wholly derived from Cambodia based on the country of domicile of the counterparties. The analyses of concentrations of credit risk from loans and advances at the balance sheet date are shown in Note 7.

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## **24. FINANCIAL INSTRUMENTS (CONT'D)**

### **24.4 MARKET RISK**

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk. Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

#### **(a) Foreign currency exchange risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Company has no material exposures to currency risk as its transactions are essentially in US Dollar. Therefore, no sensitivity for foreign currency exchange risk was presented.

#### **(b) Interest rate risk**

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set.

The table below summarises the Company's exposure to interest rate risk which includes assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

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(b) Interest rate risk (cont'd)

	Up to 1 month USD	1 - 3 months USD	4 - 6 months USD	7 - 12 months USD	1 - 5 years USD	Over 5 years USD	Non- interest bearing USD	Total USD	Interest rates %
<b>Financial assets</b>									
Cash on hand	-	-	-	-	-	-	9,203	9,203	-
Deposit and placement with banks	-	-	-	-	-	-	61,196	61,196	-
Loans and advances to customers:									
- Loan principal	-	-	-	-	87,315	1,455,105	-	1,542,421	12%
- Allowance for impairment loan	-	-	-	-	-	-	(9,767)	(9,767)	-
Statutory deposit	-	-	-	-	-	100,000	-	100,000	-
Other assets	-	-	-	-	-	-	42,293	42,293	-
<b>Total financial assets</b>		-	-	-	87,315	1,555,105	102,925	1,745,346	
<b>Financial liabilities</b>									
Loans from third parties	-	-	-	-	200,000	-	-	200,000	6.50%
Other liabilities	-	-	-	-	-	-	26,369	26,369	-
<b>Total financial liabilities</b>	-	-	-	-	200,000	-	26,369	226,369	
<b>Interest sensitivity gap 2020</b>	-	-	-	-	(112,685)	1,555,105	76,556	1,518,977	

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FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020****22. FINANCIAL INSTRUMENTS (CONT'D)****22.4 MARKET RISK (CONT'D)**

(b) Interest rate risk (cont'd)

	Up to 1 month KHR'000	1 - 3 months KHR'000	4 - 6 months KHR'000	7 - 12 months KHR'000	1 - 5 years KHR'000	Over 5 years KHR'000	Non- interest bearing KHR'000	Total KHR'000	Interest rates %
<b>Financial assets</b>									
Cash on hand	-	-	-	-	-	-	37,226	37,226	
Deposit and placement with banks	-	-	-	-	-	-	247,538	247,538	
Loans and advances to customers:	-	-	-	-	-	-	-	-	
- Loan principal	-	-	-	-	353,191	5,885,901	-	6,239,093	12%
- Allowance for impairment loan	-	-	-	-	-	-	(39,508)	(39,508)	
Statutory deposits	-	-	-	-	-	404,500	-	404,500	
Other assets	-	-	-	-	-	-	171,075	171,075	
<b>Total financial assets</b>	-	-	-	-	353,191	6,290,401	416,331	7,059,923	
<b>Financial liabilities</b>									
Loans from third parties	-	-	-	-	809,000	-	-	809,000	6.5%
Other liabilities	-	-	-	-	-	-	106,663	106,663	
<b>Total financial liabilities</b>	-	-	-	-	809,000	-	106,663	915,663	
<b>Interest sensitivity gap 2020</b>	-	-	-	-	(455,809)	6,290,401	309,668	6,144,260	



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### NOTE TO FINANCIAL STATEMENTS

### FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020

## 24. FINANCIAL INSTRUMENTS (CONT'D)

### 24.5 LIQUIDITY RISK

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Company closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

#### (a) Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Weighted Average Effective Interest Rate %	Carrying Amount USD	Contractual undiscounted cash flow USD	Within 1 Year USD	1 - 5 Years USD	Over 5 Years USD
<u>2020</u>						
<u>Non-derivative Financial Liabilities</u>						
Loans from third parties	6.50%	200,000	200,000	12,316	208,374	-
Other liabilities	n/a	26,369	26,369	26,369	-	-
		<u>226,369</u>	<u>226,369</u>	<u>38,685</u>	<u>208,374</u>	<u>-</u>

	Weighted Average Effective Interest Rate %	Carrying Amount KHR'000	Contractual undiscounted cash flow KHR'000	Within 1 Year KHR'000	1 - 5 Years KHR'000	Over 5 Years KHR'000
<u>2020</u>						
<u>Non-derivative Financial Liabilities</u>						
Loans from third parties	6.50%	809,000	809,000	49,817	842,873	-
Other liabilities	n/a	106,663	106,663	106,663	-	-
		<u>915,663</u>	<u>915,663</u>	<u>156,480</u>	<u>842,873</u>	<u>-</u>

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### **NOTE TO FINANCIAL STATEMENTS**

#### **FOR THE FINANCIAL PERIOD FROM 21 JUNE 2019 TO 31 DECEMBER 2020**

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## **24. FINANCIAL INSTRUMENTS (CONT'D)**

### **24.6 CAPITAL RISK MANAGEMENT**

#### **(a) Regulatory Capital**

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

-

- To comply with the capital requirements set by the NBC;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

The NBC requires all the Company to (i) fulfill the minimum capital requirements, and (ii) comply with solvency, liquidity and other requirements.

#### **(b) Capital allocation**

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

There was no change in the Company's approach to capital management during the financial period.

### **24.7 FAIR VALUE INFORMATION**

The methods used in determining the fair values of financial instruments recognised on the statements of financial position are disclosed in their respective notes to the financial statements.

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G B MICROFINANCE INSTITUTION PLC.  
SUPPLEMENTARY FINANCIAL INFORMATION  
AND OTHER NOTES ON COMPLIANCE WITH THE NBC'S PRAKAS  
(this does not form part of the audited financial statements)

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**STATEMENT OF BOARD OF DIRECTOR**

We, being the management of G B Microfinance Institute Plc, do hereby state that in our option the accompanying supplementary financial information consisting in disclosures requirements set by relevant Prakas and guideline issued by the National Bank of Cambodia is properly drawn up so as to reflect fairly the required financial information of the Company as at 31 December 2020. Information and data contained herein are the responsibility of the Company's management.



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Mr. TANG KUONGHOW  
Chairman

Date: 13<sup>th</sup> April 2021

## G B MICROFINANCE INSTITUTION PLC.

### APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES ON COMPLIANCE WITH THE NBC'S PRAKAS FOR THE PERIOD FROM 21 JUNE 2019 (DATE OF INCORPORATION) TO 31 DECEMBER 2020 (this does not form part of the audited financial statements)

#### NET WORTH

In accordance with the NBC's Prakas No. B7-00-47 dated 16 February 2000 and amended by Prakas No. B7-07-132 dated 27 August 2007; the Company should maintain a permanent net worth value to at least equal to its paid-up share capital. The Company's net worth as at 31 December 2020 is computed as follows:

	2020 USD	2020 KHR'000
<b>CATEGORY A ITEM: ITEMS TO BE ADDED</b>		
Capital or endowment	2,000,000	8,000,000
Reserves, other than re-evaluation reserves	-	-
Share premiums	-	-
Provision for general banking risks, with the prior agreement of the NBC	-	-
Retained earnings	-	-
Audited profit of the latest financial period	(351,917)	(1,423,504)
Dividend	-	-
Other items approved by NBC	-	-
<b>SUBTOTAL A</b>	<b>1,648,083</b>	<b>6,576,496</b>
<b>CATEGORY B ITEM: ITEMS TO BE DEDUCTED</b>		
for shareholders, directors, managers and their next of kind		
• unpaid portion of capital		
• advances, loans, security and the agreement of the persons concerned as defined above	4,450	18,000
Holding of own shares at their book value	-	-
Accumulated losses	-	-
Formation expenses	-	-
Loss determined on dates other than year End	-	-
<b>SUBTOTAL B</b>	<b>4,450</b>	<b>18,000</b>
<b>C. BASE NET WORTH (A – B)</b>	<b>1,643,633</b>	<b>6,558,496</b>
<b>CATEGORY D ITEMS: ITEMS TO BE ADDED</b>		
Revaluation reserves with the prior agreement of the NBC	-	-
Subordinated debts, with the prior agreement of the NBC, up to 100% of based net worth	-	-
Other items approved by the NBC	-	-
<b>SUBTOTAL D</b>	<b>-</b>	<b>-</b>
<b>CATEGORY E ITEMS: ITEMS TO BE DEDUCTED</b>		
Equity participation in banking or financial institutions	-	-
Other items: Deferred charges	-	-
<b>SUBTOTAL E</b>	<b>-</b>	<b>-</b>
<b>F. TOTAL NET WORTH (C+D-E)</b>	<b>1,643,633</b>	<b>6,558,496</b>

## G B MICROFINANCE INSTITUTION PLC.

### APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES ON COMPLIANCE WITH THE NBC'S PRAKAS FOR THE PERIOD FROM 21 JUNE 2019 (DATE OF INCORPORATION) TO 31 DECEMBER 2020

(this does not form part of the audited financial statements)

#### SOLVENCY RATIO

In accordance with the NBC's Prakas No. B7-00-06 dated 11 January 2000 and amended by Prakas No. B7-07-133 dated 27 August 2007; all micro-finance institutions shall observe a solvency ratio which is the ratio of their net worth to their aggregate credit risk exposure. The result found shall not be less than 15 percent. As at 31 December 2020, the solvency ratio of the Company is 93%.

	Weighting	USD	KHR'000
NUMERATOR			
A. Net worth as at 31 December 2020		1,643,633	6,558,496
DENOMINATOR			
Cash in hand	0%	-	-
Gold	0%	-	-
Deposits with the NBC	0%	-	-
Assets collateralized by deposits lodged with the bank	0%	-	-
Claims on sovereign rated AAA to AA-	0%	-	-
Claims on sovereign rated A+ to A-	20%	-	-
Claims on bank rated AAA to AA-	20%	-	-
Claims on bank rated BBB+ to BBB-	50%	-	-
Claims on bank rated A+ to A-	50%	-	-
Other assets	100%	1,705,260	6,897,777
Off-balance sheet items	0%	-	-
		<hr/>	<hr/>
B TOTAL RISK WEIGHTED ASSETS		1,705,260	6,897,777
		<hr/>	<hr/>
SOLVENCY RATIO (A/B)		96%	96%

## G B MICROFINANCE INSTITUTION PLC.

### APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES ON COMPLIANCE WITH THE NBC'S PRAKAS FOR THE PERIOD FROM 21 JUNE 2019 (DATE OF INCORPORATION) TO 31 DECEMBER 2020

(this does not form part of the audited financial statements)

#### LIQUIDITY RATIO

In accordance with NBC's Prakas B7-00-148 dated 25 February 2002, a licensed microfinance institution shall at all times maintain a liquidity ratio of at least 100%. As at 31 December 2020, the liquidity ratio of the Company was not applicable as there was no voluntary saving balance.

	2020 USD	2020 KHR'000
<b>I. NUMERATOR: LIQUID ASSET(A)</b>		
1. Treasury balance		
- Debit items		
Cash in hand	9,203	37,226
Deposits with the NBC (excluding statutory deposit and reserve)		
Deposits with banks	61,196	247,538
Balance with wallet agents	-	-
Portion of lending to bank and FI with maturity up to one month	-	-
Portion of lending to customers up to one month to run	-	-
	<hr/> 70,399	<hr/> 284,764
<b>Less:</b>		
- Credit items		
Credit balance on site accounts maintained with the NBC, bank Or financial institution	-	-
Borrowings from the NBC and bank with more than one month to run	-	-
	<hr/> -	<hr/> -
<b>Net balance – Lender position</b>	<hr/> -	<hr/> -
2. Lending with not more than one month to run (exclude loans with no maturity).	-	-
3. Treasury bills with not more than one month to run	-	-
	<hr/> -	<hr/> -
<b>TOTAL NUMERATOR (A)</b>	<hr/> 70,399	<hr/> 284,764
<b>II. DENOMINATOR: ADJUSTED AMOUNT OF DEPOSIT (B)</b>		
Voluntary saving at 25%	-	-
<b>III. LIQUIDITY RATIO (A/B)</b>		
	<hr/> NOT APPLICABLE <hr/>	

**G B MICROFINANCE INSTITUTION PLC.**

**APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES ON COMPLIANCE WITH THE NBC'S PRAKAS FOR THE PERIOD FROM 21 JUNE 2019 (DATE OF INCORPORATION) TO 31 DECEMBER 2020**

(this does not form part of the audited financial statements)

**CLASSIFICATION OF AND ALLOWANCE FOR IMPAIRMENT LOSS ON LOANS AND ADVANCES  
LOANS  
AS AT 31 DECEMBER 2020**

	OUTSTANDING PRINCIPAL LOAN		ALLOWANCE FOR IMPAIRMENT LOSS ON LOANS AND ADVANCES AS REQUIRED BY NATIONAL BANK OF CAMBODIA
	USD	RATE	USD
<b>AS AT 31 DECEMBER 2020</b>			
1. Loan of one year or less			
Standard	-	1%	-
Special mention	-	3%	-
Sub-standard	-	20%	-
Doubtful	-	50%	-
Loss	-	100%	-
<b>A</b>	-		-
2. Loan of more than one year			
Standard	1,542,421	1%	15,424
Special mention	-	3%	-
Sub-standard	-	20%	-
Doubtful	-	50%	-
Loss	-	100%	-
<b>B</b>	1,542,421		15,424
<b>TOTAL</b>	<b>C = A+B</b>		
	1,542,421		15,424



## G B MICROFINANCE INSTITUTION PLC.

### APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES ON COMPLIANCE WITH THE NBC'S PRAKAS FOR THE PERIOD FROM 21 JUNE 2019 (DATE OF INCORPORATION) TO 31 DECEMBER 2020

(this does not form part of the audited financial statements)

#### FOREIGN CURRENCY NET OPEN POSITION

In accordance with the NBC's letter B7.020.868 dated 10 June 2020, the Company is required to maintain foreign currency net open position of the Company's net worth:

Currency	Balance sheet		Net open position	Net open position/Net worth %	Limit %	Excess %
	1	2	3			
	Assets	Liabilities and capital	+(long) or – (short)			
	+	-	(1+2)			
USD	1,874,800	(1,879,477)	(4,677)	-0.2%	20%	-
<b>Grand total</b>	<b>1,880,109</b>	<b>(1,880,109)</b>	-	<b>0.00%</b>	<b>20%</b>	-

Net worth: 1,643,633