



Independent Auditor's Report

G B Microfinance Institution Plc.

Financial Statements

For the year ended 31 December 2023

Contents

	Pages
Board of Directors' report	1-2
Independent auditors' report	3-5
Statement of financial position	6
Statement of profit & loss and other comprehensive income	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10-31

Board of Directors' report

The board of directors hereby submit the report and the audited financial statements of the G B Microfinance Institution Plc. (“the Company”) for the financial year ended 31 December 2023.

1. Background and principal activities

G B Microfinance Institution Plc. (“the Company”) is a public limited company incorporated in the Kingdom of Cambodia and registered with the Ministry of Commerce (“MOC”) under registration No. 00043909 dated 21 June 2019. the Company obtained its license from the National Bank of Cambodia (“NBC”) to operate as a micro finance institution on 22 October 2019.

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

The Company’s Head office is located at No. J-37, Street Lum, Sangkat Tonle Bassac, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

2. Results of operations

The results of the Company’s operations for the year ended 31 December 2023 and the state of its affairs as at that date are set out in the financial statements.

The board of directors do not recommend the payment of dividend for the year ended 31 December 2023.

3. Board of Directors

The board of director’s members of the Company during the year and to the date of this report were as follows:

Name	Position
Mr. Tang Kuonghow	Chairman
Mrs. Hsu, Chia-Chia	Vice Chairwoman
Mr. Tang Kaokeat	Director
Mr. Mak Chamroeun	Independent Director

4. Auditors

The financial statements for the year ended 31 December 2023 have been audited by Kreston Cambodia trading name under Cam Accounting & Tax Service Co., Ltd.

5. Board of directors’ responsibility for the financial statements

The board of directors are responsible for the financial statements of the Company to be properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and cash flows for the financial year then ended. In the preparation of 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 for Small and Medium-Sized Entities (“CIFRS for SMEs”) which are supported by reasonable and appropriate judgments and estimates and then apply them consistently;
- ii. comply with the disclosure requirements CIFRS for SMEs and guidelines of the National Bank of Cambodia 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;
- 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 operations 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 of the Company.

6. Preparation of the financial statements

In the preparation of the financial statement, the directors have taken account of the following matters:

- i. all material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements;
- ii. adequate allowance for impairment losses on loan to customers and 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 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 substantially the results of the operations of the Company for the financial year in which this report is made;
- vii. the results of the operations of the Company during the financial years were not, in the opinion of the directors, substantially affected by any item, transactions 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 Company to meet its obligations when they fall due.

7. 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 2023, its financial performance and cash flows for the financial year then ended in accordance with CIFRS for SMEs and guidelines of the National Bank of Cambodia (“NBC”).

On behalf of Board of Directors



Mr. Tang Kuonghow
Chairman

Phnom Penh, Kingdom of Cambodia
Date: 22 April 202



Kreston Cambodia is trading under name of
Cam Accounting & Tax Service Co., Ltd.
Certified Public Accountants and Auditors
Tax Agent License (GDT Member)
Audit Firm License (KICPAA Member)
Financial Institution Audit License (NBC Member)

Address: #3D, Street 416, Sangkat Tumnup Tuek, Khan
 Beong Keng Kong,
 Phnom Penh, Cambodia
 Tel: (855) 93 33 51 58
 (855) 12 75 32 57
 E-mail: info@krestoncambodia.com
www.krestoncambodia.com

Independent auditors' report

To shareholders of **G B Microfinance Institution Plc.**

Opinion

We have audited the financial statements of G B Microfinance Institution Plc., ("the Company") which comprise the statement of financial position as at 31 December 2023 of the Company, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 31.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the financial year 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 ("NBC").

Basis for 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.

Other matters

The financial statements of G B Microfinance Institution Plc. for the year ended 31 December 2022 were audited by another auditing firm whose report, dated 27 April 2023, expressed an unqualified 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.

Responsibilities of directors 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 intend to liquidate the Company or to cease 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 scepticism 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 directors.
- 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.

- 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 directors 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.

On behalf of Cam Accounting & Tax Service Co., Ltd.
Certified Public Accountants and Auditors



Keat Heng, CPA, ACCA
Audit Partner

Phnom Penh, Kingdom of Cambodia
Date: 22 April 2024

Statement of financial position

As at 31 December 2023

	Notes	2023		2022	
		USD	KHR'000	USD	KHR'000
Assets					
Cash on hand	4	18,514	75,630	10,705	44,072
Deposits and placements with NBC	5	102,896	420,330	101,655	418,513
Deposits and placements with other banks	6	171,121	699,029	135,133	556,343
Loans to customers	7	1,991,469	8,135,151	2,307,446	9,499,755
Other assets	8	30,030	122,673	43,682	179,839
Property and equipment	9	6,771	27,660	26,881	110,669
Intangible asset	10	24,320	99,347	34,210	140,843
Total assets		2,345,121	9,579,820	2,659,712	10,950,034
Liabilities					
Borrowings	11	1,400,000	5,719,000	1,500,000	6,175,500
Other liabilities	12	28,169	115,070	40,483	166,668
Total liabilities		1,428,169	5,834,070	1,540,483	6,342,168
Equity					
Share capital	13	2,000,000	8,000,000	2,000,000	8,000,000
Regulatory reserve	14	40,367	165,908	-	-
Accumulated losses		(1,123,415)	(4,577,945)	(880,771)	(3,580,677)
Translation reserve		-	157,787	-	188,543
Total equity		916,952	3,745,750	1,119,229	4,607,866
Total liabilities and equity		2,345,121	9,579,820	2,659,712	10,950,034

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

Statement of profit & loss and other comprehensive income

For the year ended 31 December 2023

	Notes	2023		2022	
		USD	KHR'000	USD	KHR'000
Interest income	15	243,402	1,000,382	207,106	846,442
Interest expense		(92,754)	(381,219)	(66,237)	(270,711)
Net interest income		150,648	619,163	140,869	575,731
Other operating income	16	3,365	13,830	6,641	27,142
Employee expenses	17	(261,678)	(1,075,497)	(242,207)	(989,900)
General and administrative expenses	18	(136,493)	(560,986)	(162,129)	(662,621)
Allowance for impairment losses	19	36,304	149,209	(39,135)	(159,944)
Loss before taxes		(207,854)	(854,281)	(295,961)	(1,209,592)
Income taxes	20 (a)	-	-	(2,159)	(8,824)
Loss for the year		(207,854)	(854,281)	(298,120)	(1,218,416)
Other comprehensive income		-	-	-	-
Currency translation differences		-	(29,756)	-	-
Total comprehensive income for the year		(207,854)	(884,037)	(298,120)	(1,218,416)

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

Statement of changes in equity

For the year ended 31 December 2023

	Share capital USD	Regulatory reserve USD	Accumulated losses USD	Total USD
At 01 January 2022	2,000,000	5,572	(588,223)	1,417,349
Loss for the year	-	-	(298,120)	(298,120)
Transfer	-	(5,572)	5,572	-
Balance at 31 December 2022	2,000,000	-	(880,771)	1,119,229
Loss for the year	-	-	(207,854)	(207,854)
Transfer	-	40,367	(40,367)	-
Adjustment	-	-	5,577	5,577
Balance at 31 December 2023	2,000,000	40,367	(1,123,415)	916,952

	Share capital KHR'000	Regulatory reserve KHR'000	Accumulated losses KHR'000	Translation reserve KHR'000	Total KHR'000
At 01 January 2022	8,000,000	22,536	(2,384,797)	136,542	5,774,281
Loss for the year	-	-	(1,218,416)	-	(1,218,416)
Transfer	-	(22,536)	22,536	-	-
Translation differences	-	-	-	51,001	51,001
Balance at 31 December 2022	8,000,000	-	(3,580,677)	187,543	4,606,866
Loss for the year	-	-	(854,281)	-	(854,281)
Transfer	-	165,908	(165,908)	-	-
Adjustment	-	-	22,921	-	22,921
Translation differences	-	-	-	(29,756)	(29,756)
Balance at 31 December 2023	8,000,000	165,908	(4,577,945)	157,787	3,745,750

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

Statement of cash flows

For the year ended 31 December 2023

	Notes	2023		2022	
		USD	KHR'000	USD	KHR'000
Cash flow from operating activities					
Loss before taxes		(207,854)	(854,281)	(295,961)	(1,209,592)
Adjustment for:					
Depreciation	9	20,593	84,637	21,533	88,005
Amortization expense	10	16,952	69,673	16,608	67,877
Allowance for impairment losses	19	(36,304)	(149,209)	39,135	159,944
Interest expense		92,754	381,219	66,237	270,711
Operating loss before working capital changes		(113,859)	(467,961)	(152,448)	(623,055)
Changes in:					
Loans to customers	7	352,643	1,449,363	(956,246)	(3,936,865)
Other assets	8	13,652	56,110	(10,840)	(44,628)
Other liabilities	12	(12,314)	(50,611)	8,708	35,851
Cash used in operations		240,122	986,901	(1,110,826)	(4,568,697)
Income taxes paid	20 (a)	-	-	(2,159)	(8,824)
Net cash flow used in operating activities		240,122	986,901	(1,112,985)	(4,577,521)
Cash flow from investing activities					
Acquisition of property & equipment	9	(483)	(1,985)	(2,070)	(8,523)
Acquisition of Intangible asset	10	(7,062)	(29,025)	-	-
Net cash flow used in investing activities		(7,545)	(31,010)	(2,070)	(8,523)
Cash flows from financing activities					
Borrowings	11	(100,000)	(411,000)	1,200,000	4,904,400
Interest paid		(92,754)	(381,219)	(66,237)	(270,711)
Net cash generated from financing activities		(192,754)	(792,219)	1,133,763	4,633,689
Net changes in cash and cash equivalents*		46,763	192,195	18,708	47,645
Cash and cash equivalents at 01 January		147,493	607,228	128,785	524,670
Currency translation differences		-	(5,887)	-	34,913
Cash and cash equivalents at 31 December		194,256	793,536	147,493	607,228

*There were the following non-cash transactions, the adjustment was made to accumulated losses USD 6,940.

Cash and cash equivalents at 31 December 2023 and 2022 Reconciliation:

	2023		2022	
	USD	KHR'000	USD	KHR'000
Cash on hand	18,514	75,630	10,705	44,072
Deposits and placements with NBC (Excluding statutory deposits)	2,896	11,830	1,655	6,813
Deposits and placements with banks	172,846	706,076	135,133	556,343
	194,256	793,536	147,493	607,228

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

Notes to the financial statements

1. Background and principal activities

G B Microfinance Institution Plc. ("the Company") is a public limited company incorporated in the Kingdom of Cambodia and registered with the Ministry of Commerce ("MOC") under registration No. 00043909 dated 21 June 2019. The Company obtained its license from the National Bank of Cambodia ("NBC") to operate as a micro finance institution on 22 October 2019.

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

The Company's head office is located at No. J-37, Street Lum, Sangkat Tonle Bassac, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

2. Statement of compliance with CIFRS for SMEs

The financial statements of the Company have been prepared in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs") and guidelines issued by NBC.

3. Significant accounting policies

3.1 New and amended standard and interpretation

3.1.1 Standards and interpretations that are effective for the current financial year

The Company adopted all accounting standards and interpretations as at 31 December 2023. The amended accounting standards assessed to be applicable and have no material impact to the Company as the following:

- Amendments to IAS 1 Classification of Liabilities as Current or Non-Current.
- IAS 8 Definition of Accounting Estimates.
- IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

3.1.2 New accounting standards for application in future periods

Those standards, amendments and interpretations are not yet effective and have not been adopted early by the Company include:

- Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1).
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16.

3.1.3 Critical accounting estimates & 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 year other than as disclosed below:

a. Impairment of loan and advances

The loss allowances for loan to customer are based on assumptions about risk of default and expected loss rates. The Bank uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period.

b. Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Bank 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 expense and deferred tax balances in the period in which such determination is made.

c. The useful life of depreciable assets

Management reviews its estimate of the useful life of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain property and equipment and software.

Critical Judgements Made in Applying Accounting Policies

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

The principal accounting policies adopted in the preparation of the financial statements are set out below. These accounting policies have been consistently applied by the Bank during the year.

3.2 Functional and foreign currencies

3.2.1 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.

3.2.2 Translation of United States Dollar into Khmer Riel

The financial statements are expressed in USD. The translations of USD amounts into Khmer Riel ("KHR") are included solely for compliance with the Law on Accounting and Auditing. Assets and liabilities are translated using the closing rate as at the reporting date. The statement of profit or loss and other comprehensive income and the statement of cash flows are translated into KHR using the applicable average rates for the reporting date. Exchange differences arising from the translation are recognised as "Currency translation differences" in the other comprehensive income.

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

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

			Closing rate	Average rate
31 December 2023	US\$1	=	KHR 4,085	KHR 4,110
31 December 2022	US\$1	=	KHR 4,117	KHR 4,087

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

3.2.3 Foreign currencies transactions and balances

Transactions in currencies other than USD are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than USD are recognised in the statement of profit or loss and other comprehensive income.

3.3 Property and equipment

All items of property and equipment are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset and other cost directly attributable to bringing the asset to working condition for its intended use. Freehold land is stated at cost less impairment losses, if any and is not depreciated.

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

Depreciation

Depreciation is charged to profit or loss and is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

Items	Method
Leasehold improvement	20% (Straight-line method)
Computer equipment	25% (Straight-line method)
Furniture and fixtures	25% (Straight-line method)
Office Equipment	25% (Straight-line method)
Motor vehicles	25% (Straight-line method)

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the terms of property and equipment.

An item of property, plant, and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of comprehensive income in the year which the asset is disposed of.

Impairment testing of property and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, Management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by Management.

All assets are periodically reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge would be reversed if the cash-generating unit's recoverable amount exceeded its carrying amount.

3.4 Intangible assets

Intangible assets represent the initial costs incurred in obtaining software at rate 20 to 25% (Straight-line method).

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

Intangible assets are assessed to have finite useful lives and are amortised over the license period using declining balance method. The intangible assets are also assessed for impairment whenever there is an indication that they may be impaired. The amortisation period and method are reviewed at least at the end of each reporting period.

3.5 Financial instruments initial recognition, subsequent measurement, and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

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.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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.

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.

Impairment 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.

3.6 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks which are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

3.7 Deposits and placements with National Bank of Cambodia

Deposits and placements with the NBC, including statutory deposits, are stated at cost. A statutory deposit is maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and is determined by defined percentages of minimum share capital as required by the NBC and are not available to finance the Company day-to-day operations. Hence, statutory deposit is not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

3.8 Deposits and placements with banks

Deposits and placement with banks are stated at cost. The Company provides allowance for impairment losses for placements with banks at 1% (2022: 1%), in accordance with Prakas No. B7-017-344 doted 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions.

3.9 Loans to customers

Loans to customers are recognized initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Loans to customers are stated at the amount of principal plus accrued interest less allowance for bad and doubtful loans.

Loans are written off to profit or loss when the loans are provisioned in full and remain unpaid after maturity date or when the certainty of being uncollectable is proven. Loans written-off ore token out of the outstanding loan portfolio and deducted from the allowance for bad and doubtful loans.

Recoveries of loans previously written-off are disclosed as other operating income in of profit or loss.

3.10 Other assets

Other assets are carried at cost. An estimate is made for doubtful receivables based on a review of outstanding amounts at the reporting date.

3.11 Impairment of non-financial assets

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, Management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by Management.

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit) to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

All assets are periodically reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge would be reversed if the cash-generating unit's recoverable amount exceeded its carrying amount.

3.12 Other liabilities

Other liabilities are recognised initially at the transaction price (including transaction costs) and subsequently measured at amortised cost using the effective interest method.

3.13 Provisions, contingent liabilities, and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing

or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

Possible inflows of economic benefits to the Company that does not yet meet the recognition criteria of an asset are considered contingent assets.

3.14 Borrowings

Borrowings are initially recognised at the transaction price (including transaction costs) and subsequently measured at amortised cost using the effective interest method.

3.15 Equity reserves, and accumulated losses

Share capital represents the nominal value of shares that have been issued. Accumulated losses include all current and prior years' losses.

3.16 Regulatory Provision

The Company follows the credit classification and provisioning in accordance with Prakas No. B7-017-344, dated 1 December 2017 as issued by the NBC providing guidance on credit classification and regulatory provisioning for financial institutions in Cambodia, as summarised below:

Classification	Number of days past due	Provision rate
Short term loans (less than or equal one year):		
Normal/Standard	0 to 14 days	1%
Special mention	15 days to 30 days	3%
Substandard	31 days to 60 days	20%
Doubtful	61 days to 90 days	50%
Loss	From 91 days	100%
Long term loans (more than one year):		
Normal/Standard	0 to 29 days	1%
Special mention	30 days to 89 days	3%
Substandard	90 days to 179 days	20%
Doubtful	180 days to 359 days	50%
Loss	From 360 days	100%

Article 73 of the Prakas on Credit Risk Grading and Impairment Provisioning requires the Company to compare the provision calculated in accordance with CIFRS for SMEs and Prakas No B7-017-344 and, accordingly:

In case the regulatory provision calculated in accordance with the said Prakas is lower than the provision calculated in accordance with CIFRS for SMEs, the Company shall record the provision calculated in accordance with CIFRS for SMEs.

- b. In case the regulatory provision calculated in accordance with the said Prakas is higher than the provision calculated in accordance with CIFRS for SMEs, the Company shall record the provision calculated in accordance with CIFRS for SMEs and transfer the difference, which represents the additional provision required, from retained earnings or accumulated losses account into regulatory reserve in the equity section of the statement or financial position.

3.17 Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in profit or loss include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

3.18 Fees and commission income and expense

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. Loan processing fee income are recognised as income over the term period of the loan to customer.

Unamortised loan fees are recognized as unearned income.

3.19 Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for 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 commitments are not recognised as liabilities until the obligation to pay becomes due.

3.20 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are generally provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where

they relate to items that are recognised in other comprehensive income (such as revaluation of land) or directly in equity. in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

3.21 Employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

4. Cash on hand

	2023		2022	
	USD	KHR'000	USD	KHR'000
US Dollars	17,320	70,752	9,857	40,581
Khmer Riels	1,194	4,878	848	3,491
	<u>18,514</u>	<u>75,630</u>	<u>10,705</u>	<u>44,072</u>

5. Deposits and placements with NBC

	2023		2022	
	USD	KHR'000	USD	KHR'000
Capital guarantee deposit*	100,000	408,500	100,000	411,700
Current account	2,896	11,830	1,655	6,813
	<u>102,896</u>	<u>420,330</u>	<u>101,655</u>	<u>418,513</u>

(*) Under NBC Prakas B7-00-06 dated 11 January 2000, micro-finance institutions are required to maintain a statutory deposit of 5% of their 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 its business in Cambodia.

6. Deposits and placements with other banks

	2023		2022	
	USD	KHR'000	USD	KHR'000
In Cambodia:				
Current deposits	172,846	706,076	136,494	561,946
	<u>172,846</u>	<u>706,076</u>	<u>136,494</u>	<u>561,946</u>
Less: Allowance for impairment losses	(1,725)	(7,047)	(1,361)	(5,603)
	<u>171,121</u>	<u>699,029</u>	<u>135,133</u>	<u>556,343</u>

Movements in the impairment loss allowance are as follows:

	2023		2022	
	USD	KHR'000	USD	KHR'000
In Cambodia:				
At 01 January	1,361	5,560	-	-
Remeasurement of allowances for impairment losses	364	1,487	1,361	5,643
Translation differences	-	-	-	(40)
At 31 December	<u>1,725</u>	<u>7,047</u>	<u>1,361</u>	<u>5,603</u>

The above deposit and placements amount are analyses as follow:

By currency:	2023		2022	
	USD	KHR'000	USD	KHR'000
US Dollars	166,044	678,290	134,273	552,802
Khmer Riels	6,802	27,786	2,221	9,144
	172,846	706,076	136,494	561,946

7. Loans to customers

	2023		2022	
	USD	KHR'000	USD	KHR'000
Short term	314,603	1,285,153	450,364	1,854,149
Long term	1,667,531	6,811,865	1,887,517	7,770,907
Accrual interest receivables	19,739	80,633	16,635	68,486
Gross loans at amortised cost	2,001,873	8,177,651	2,354,516	9,693,542
Less: Allowance for impairment losses	(10,404)	(42,500)	(47,070)	(193,787)
Net loans to customers at amortised cost	1,991,469	8,135,151	2,307,446	9,499,755

Movements in the impairment loss allowance are as follows:

At 01 January	47,070	193,787	9,296	37,872
Remeasurement of allowances impairment losses	(36,666)	(150,697)	37,774	154,382
Translation differences	-	(590)	-	1,533
At 31 December	10,404	42,500	47,070	193,787

The Loans to customers are analysed as follows:

a) By maturity:	2023		2022	
	USD	KHR'000	USD	KHR'000
1 to 12 months	211,225	862,856	450,364	1,854,149
1 to 3 years	119,969	490,073	10,852	44,678
3 to 5 years	41,897	171,149	11,069	45,571
Over 5 years	1,628,782	6,653,573	1,882,231	7,749,144
	2,001,873	8,177,651	2,354,516	9,693,542

b) By industry:	2023		2022	
	USD	KHR'000	USD	KHR'000
Construction/Housing	1,628,804	6,653,664	1,882,232	7,749,149
Other categories	373,069	1,523,987	472,284	1,944,393
	2,001,873	8,177,651	2,354,516	9,693,542

c) By currency:	2023		2022	
	USD	KHR'000	USD	KHR'000
US Dollars	1,819,342	7,432,012	2,160,815	8,896,075
Khmer Riels	182,531	745,639	193,701	797,467
	2,001,873	8,177,651	2,354,516	9,693,542

d) By residency status:	2023		2022	
	USD	KHR'000	USD	KHR'000
Residents	2,001,873	8,177,651	2,354,516	9,693,542
	<u>2,001,873</u>	<u>8,177,651</u>	<u>2,354,516</u>	<u>9,693,542</u>

e) By relationship:	2023		2022	
	USD	KHR'000	USD	KHR'000
External customers	1,700,363	6,945,983	1,882,232	7,749,149
Staff loans	301,510	1,231,668	472,284	1,944,393
	<u>2,001,873</u>	<u>8,177,651</u>	<u>2,354,516</u>	<u>9,693,542</u>

f) By performance and security	2023		2022	
	USD	KHR'000	USD	KHR'000
Secured	1,700,340	6,945,889	1,882,231	7,749,145
Unsecured	301,533	1,231,762	472,285	1,944,397
	<u>2,001,873</u>	<u>8,177,651</u>	<u>2,354,516</u>	<u>9,693,542</u>

g) By interest rate (per annum):	2023	2022
	Individual loan	7%-18%

8. Other assets

	2023		2022	
	USD	KHR'000	USD	KHR'000
Prepayments	16,100	65,769	13,607	56,020
Rental deposit	13,400	54,739	13,400	55,168
Other assets	530	2,165	40	165
Other receivables	-	-	16,635	68,486
	<u>30,030</u>	<u>122,673</u>	<u>43,682</u>	<u>179,839</u>

[The remainder of this page was left intentionally blank]

9. Property and equipment

Cost	Leasehold improvement USD	Furniture and fixtures USD	Office equipment USD	Computer equipment USD	Motor vehicles USD	Total USD
At 01 January 2023	20,278	14,714	9,405	43,886	2,349	90,632
Additions	-	-	303	180	-	483
At 31 December 2023	20,278	14,714	9,708	44,066	2,349	91,115

Accumulated depreciation

At 01 January 2023	12,479	11,241	7,007	31,358	1,666	63,751
Depreciation	4,056	3,235	2,147	10,567	588	20,593
At 31 December 2023	16,535	14,476	9,154	41,925	2,254	84,344

Carrying amount

At 31 December 2023	3,743	238	554	2,141	95	6,771
In KHR'000	15,290	972	2,263	8,746	388	27,660

Cost	Leasehold improvement USD	Furniture and fixtures USD	Office equipment USD	Computer equipment USD	Motor vehicles USD	Total USD
At 01 January 2022	20,278	14,714	9,101	42,120	2,349	88,562
Additions	-	-	304	1,766	-	2,070
At 31 December 2022	20,278	14,714	9,405	43,886	2,349	90,632

Accumulated depreciation

At 01 January 2022	8,423	7,521	4,658	20,538	1,078	42,218
Depreciation	4,056	3,720	2,349	10,820	588	21,533
At 31 December 2022	12,479	11,241	7,007	31,358	1,666	63,751

Carrying amount

At 31 December 2022	7,799	3,473	2,398	12,527	684	26,881
In KHR'000	32,108	14,298	9,873	51,574	2,816	110,669

10. Intangible asset

	Software USD	Total USD
Cost		
At 01 January 2023	82,680	82,680
Additions	7,062	7,062
At 31 December 2023	<u>89,742</u>	<u>89,742</u>
Accumulated amortization		
At 01 January 2023	48,470	48,470
Amortisation	16,952	16,952
At 31 December 2023	<u>65,422</u>	<u>65,422</u>
Carrying amount		
At 31 December 2023	<u>24,320</u>	<u>24,320</u>
In KHR'000	<u>100,125</u>	<u>100,125</u>
	Software USD	Total USD
Cost		
At 01 January 2022	82,680	82,680
Additions	-	-
At 31 December 2022	<u>82,680</u>	<u>82,680</u>
Accumulated amortization		
At 01 January 2022	31,862	31,862
Amortisation	16,608	16,608
At 31 December 2022	<u>48,470</u>	<u>48,470</u>
Carrying amount		
At 31 December 2022	<u>34,210</u>	<u>34,210</u>
In KHR'000	<u>139,748</u>	<u>139,748</u>

11. Borrowing

	2023		2022	
	USD	KHR'000	USD	KHR'000
Mr. Hsueh Ho-Chih	300,000	1,225,500	300,000	1,235,100
Mr. Hsieh Ho-Yu	300,000	1,225,500	300,000	1,235,100
Mr. Lin Wei-Yi	300,000	1,225,500	300,000	1,235,100
Mrs. Lin Chiao-Jou	300,000	1,225,500	300,000	1,235,100
Mr. Tsai Cheng-Hsueh	100,000	408,500	100,000	411,700
Mr. Liu Chin-Hui	100,000	408,500	100,000	411,700
Mrs. Liu Hsiu-Pen	-	-	100,000	411,700
	<u>1,400,000</u>	<u>5,719,000</u>	<u>1,500,000</u>	<u>6,175,500</u>

Borrowing from third parties amounting to USD 1,400,000 (interest:6.5% per annual) and USD 1,500,000 (interest:6.5% per annual) in 2023 & 2022 respectively.

[The remainder of this page was left intentionally blank]

12. Other liabilities

	2023		2022	
	USD	KHR'000	USD	KHR'000
Accrued expenses	24,615	100,552	29,037	119,545
Other tax payables	3,018	12,328	1,812	7,460
Unearned income from customers	536	2,190	2,938	12,096
Other payables	-	-	6,696	27,567
	28,169	115,070	40,483	166,668

13. Share capital

As at 31 December 2023 and 2022, the Company's registered capital is presented as follow:

	2023 & 2022			
	% Of ownership	Number of shares	USD	KHR'000
Mr. Tang Kuonghow	51%	5,100	1,020,000	4,080,000
Mrs. Hsu Chia Chia	49%	4,900	980,000	3,920,000
	100%	10,000	2,000,000	8,000,000

The Company's registered capital amounting to USD 2,000,000 in 2023 and 2022 respectively.

14. Regulatory reserve

	2023		2022	
	USD	KHR'000	USD	KHR'000
At 1 January	-	-	5,572	22,940
Transfer from/(to) retained earnings	40,367	165,908	(5,572)	(22,940)
Translation different	-	-	-	-
At 31 December	40,367	165,908	-	-

As at 31 December 2023, the regulatory provision calculation is USD 50,749 which is USD 40,367 higher than the required provision per CIFR for SMEs of USD 10,404. As such, in the compliance with Parkas No. B7-017-344 Article 73(b), USD 40,367 regulatory reserve is transferred from retained earnings.

15. Interest income

	2023		2022	
	USD	KHR'000	USD	KHR'000
Loan to customers	242,141	995,200	206,691	844,746
Deposits and placements with other banks	1,261	5,182	415	1,696
	243,402	1,000,382	207,106	846,442

16. Other operating income

	2023		2022	
	USD	KHR'000	USD	KHR'000
Gain on currency exchange rate	1,526	6,272	-	-
Penalty income	1,038	4,266	-	-
Fee and commission on loans	711	2,922	-	-
Other income	90	370	6,641	27,142
	3,365	13,830	6,641	27,142

17. Employee expenses

	2023		2022	
	USD	KHR'000	USD	KHR'000
Salary and bonus expense	211,968	871,188	198,099	809,631
Incentive expense	29,139	119,761	22,755	93,000
Seniority expense	11,985	49,258	10,078	41,189
Insurance expense	1,773	7,287	1,708	6,981
Uniform expense	1,741	7,156	2,255	9,216
Pension fund	1,043	4,287	258	1,054
Other employee expenses	4,029	16,560	7,054	28,829
	261,678	1,075,497	242,207	989,900

18. General and administrative expenses

	2023		2022	
	USD	KHR'000	USD	KHR'000
Rental expense	36,179	148,696	39,870	162,949
Depreciation expense	20,593	84,637	21,533	88,005
Amortisation expense	16,952	69,673	16,608	67,877
Repaired and maintenance expense	15,729	64,646	15,587	63,704
Professional fee	12,137	49,883	19,372	79,173
Security expenses	7,744	31,828	8,448	34,527
Utilities expense	6,388	26,255	5,682	23,222
License fee	4,867	20,003	4,892	19,994
Communication expense	4,874	20,032	4,974	20,329
Membership fee	2,677	11,002	10,153	41,495
Transportation expense	2,209	9,079	1,938	7,921
Entertainment expense	1,808	7,431	82	335
Marketing and advertising expense	1,756	7,217	3,272	13,373
Office supplies	1,284	5,277	1,527	6,241
Other expenses	1,296	5,327	3,751	15,330
Management fee	-	-	4,440	18,146
	136,493	560,986	162,129	662,621

19. Allowance for impairment losses

	2023		2022	
	USD	KHR'000	USD	KHR'000
Loans to customers	(36,666)	(150,697)	37,774	154,382
Deposits and placements with other banks	362	1,488	1,361	5,562
	(36,304)	(149,209)	39,135	159,944

[The remainder of this page was left intentionally blank]

20. Income taxes

a) Income tax expense

	2023		2022	
	USD	KHR'000	USD	KHR'000
Current tax:				
For the financial year	2,459	10,104	2,159	8,824
Recognised income tax carried forward	(2,459)	(10,104)	-	-
	-	-	2,159	8,824
Deferred tax liability				
For the current financial year	-	-	-	-
	-	-	2,159	8,824

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

A reconciliation of income tax expense applicable to the Profit before tax at the corporate tax rate to income tax expense at the effective tax of the Company is as follows:

	2023		2022	
	USD	KHR'000	USD	KHR'000
Profit before tax	(207,854)	(854,280)	(295,961)	(1,209,592)
Add: Non-deductible expenses	44,809	184,165	557	2,276
Less: Deductible expenses	(82,749)	(340,099)	-	-
Estimated taxable income (A)	(49,159)	(202,043)	(59,192)	(241,918)
Minimum tax at 1% of revenue (B)*	-	-	2,159	8,824
Estimated current income tax expense (Higher of A or B)	-	-	2,159	8,824

*The Company implemented proper accounting certificate from general tax department so there is no minimum tax paid in 2023.

21. Tax contingencies

The Company's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations for many types of transactions 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 authorities.

22. Lease commitment

	2023		2022	
	USD	KHR'000	USD	KHR'000
Within one year	45,720	186,766	36,000	147,132
Two to five years	29,340	119,854	21,000	85,827
Over five years	105,135	429,476	-	-
	180,195	736,096	57,000	232,959

[The remainder of this page was left intentionally blank]

23. Categories of financial instruments

	2023		2022	
	USD	KHR'000	USD	KHR'000
Financial assets				
<u>Amortised Cost</u>				
Cash on hand	18,514	75,630	10,705	44,072
Deposits and placements with NBC	102,896	420,330	101,655	418,513
Deposits and placements with banks	172,846	706,076	136,494	561,946
Loans to customers	2,001,873	8,177,651	2,354,516	9,693,542
Other assets*	13,930	56,904	16,635	68,487
	2,310,059	9,436,591	2,620,005	10,786,560
Financial liabilities				
<u>Amortised Cost</u>				
Borrowings	1,400,000	5,719,000	1,500,000	6,175,500
Other liabilities**	3,554	14,518	4,750	19,556
	1,403,554	5,733,518	1,504,750	6,195,056

*Excludes prepayment

** Excludes accrued expense

24. Financial risk management

The guidelines and policies adopted by the Company to manage the risks that arise in the conduct of their business activities are as follows:

a) Credit risk

Credit risk is the potential loss of revenue and principal losses in the form of specific allowances 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 Amount 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 archived; i.e., that the loan 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 updated except when a loan is individually assessed as doubtful.

i. Credit risk measurement

The company assesses the probability of default of individual counterparties by focusing on a borrowers' forecasted profit and cash flows. The credit committee is responsible for approving loans to customers.

ii. Risk limit control and mitigation policies

The company manage limits and controls the concentration of credit risk whenever it is identified.

The company employs a range of policies and practices to mitigate credit risks. The most traditional of these is the taking of security in the form of collateral for loan to customers, which is a common practice, the company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation, The principal collateral types that the company accepts to secure for loans to customers are:

- Mortgages over residential properties (land, building and other properties); and
- Charges over business assets such as land and buildings.

iii. Exposure to credit risk with regards to loans to customers

	2023		2022	
	USD	KHR'000	USD	KHR'000
Loan to customers				
Neither past due nor impaired	1,755,628	7,171,740	2,295,325	9,449,853
Past due but not impaired	246,245	1,005,911	59,191	243,689
Individually impaired	-	-	-	-
	<u>2,001,873</u>	<u>8,177,651</u>	<u>2,354,516</u>	<u>9,693,542</u>

Neither past due nor impaired

Neither past due nor impaired loans to customers are good quality loans to customers for which there is no experience of default. These loans are supported by collaterals and management views that likelihood of default is relatively low.

Past due but not impaired loans

Past due but not impaired loans to customers are those for which contractual interest or principal payments that are past due less than 30 days for short-term loans and 90 days for long-term loans, unless other information is available to indicate otherwise.

Impaired loans

Individually impaired loans to customers are loans to customers for which the Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans to customers.

In compliance with NBC Guidelines, an allowance for doubtful loans to customers is made for loans to customers with payment overdue more than 30 days for short-term loans and 89 days for long-term loans. A minimum level of specific allowance for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty.

b) Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and Systems or from external factors 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 Management.

The operational risk management entail the establishment of clear organisational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining System parameters controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its micro-finance business.

c) 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.

i. Foreign currency exchange risk

The Company revenue is principally earned in USD. The Company expenditure is principally paid in USD. Monetary assets and liability are significantly dominated in USD. The Company does not therefore have significant exposure to foreign currency risk.

ii. Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rates and shifts in the composition of the assets and liabilities. The exposure to interest rate risk relate primarily to its loans.

Since the majority of financial assets are not subject to significant change with the market rates, the Company does not use derivative financial instruments to hedge such risk.

The table below summarises the Company's exposure to interest rate risks. It includes the company's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

2023	Up to 1 month	>1-3	>3-12	>1-5	Over 5	Non-interest	Total	Interest
	USD	months	months	years	years	bearing	USD	rates
		USD	USD	USD	USD	USD	USD	%
Financial assets								
Cash on hand	-	-	-	-	-	18,514	18,514	
Deposits and placements with NBC	-	-	-	-	2,896	100,000	102,896	
Deposits and placements with banks	-	-	-	-	172,846	-	172,846	
Loans to customers	-	-	211,225	161,866	1,628,782	-	2,001,873	7%-18%
Other assets*	-	-	-	-	-	13,930	13,930	
Total financial assets	-	-	211,225	161,866	1,804,524	132,444	2,310,059	
Financial liabilities								
Borrowings	-	-	-	-	1,400,000	-	1,400,000	6.5%
Other liabilities*	-	-	3,554	-	-	-	3,554	
Total financial liabilities	-	-	3,554	-	1,400,000	-	1,403,554	
Total interest pricing gap	-	-	207,671	161,866	404,524	132,444	906,505	
In KHR'000	-	-	848,338	661,223	1,652,479	541,034	3,703,073	

*Excludes prepayment

**Excludes accrued expense

[The remainder of this page was left intentionally blank]

2022	Up to 1 month USD	>1-3 months USD	>3-12 months USD	>1-5 years USD	Over 5 years USD	Non-interest bearing USD	Total Interest rates USD %
Financial assets							
Cash on hand	-	-	-	-	-	10,705	10,705
Deposits and placements with NBC	-	-	-	-	-	101,655	101,655
Deposits and placements with banks	-	-	-	-	-	136,494	136,494
Loans to customers	-	-	450,364	21,921	1,882,231	-	2,354,516 7% to 18%
Other assets*	-	-	-	-	-	16,635	16,635
Total financial assets	-	-	450,364	21,921	1,882,231	265,489	2,620,005
Financial liabilities							
Borrowings	-	-	-	1,500,000	-	-	1,500,000 6.5%
Other liabilities**	-	-	-	-	4,750	-	4,750
Total financial liabilities	-	-	-	1,500,000	4,750	-	1,504,750
Total interest pricing gap	-	-	450,364	(1,478,079)	1,877,481	265,489	1,115,255
In KHR'000	-	-	1,854,149	(6,085,251)	7,729,589	1,093,018	4,591,505

*Excludes prepayment

**Excludes accrued expense

d) 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.

[The remainder of this page was left intentionally blank]

The following table provide an analysis of financial assets and liabilities of the Company into relevant maturity grouping, including instalments due:

2023	Up to 1 month USD	>1-3 months USD	>3-12 months USD	>1-5 years USD	Over 5 years USD	No fixed maturity date USD	Total USD
Financial asset							
Cash on hand	18,514	-	-	-	-	-	18,514
Deposits and placements with NBC	2,896	-	-	-	-	100,000	102,896
Deposits and placements with banks	172,846	-	-	-	-	-	172,846
Loans to customers	-	-	211,225	161,866	1,628,782	-	2,001,873
Other assets*	-	13,930	-	-	-	-	13,930
Total financial assets	194,256	13,930	211,225	161,866	1,628,782	100,000	2,310,059
Financial liabilities							
Borrowings	-	-	-	-	1,400,000	-	1,400,000
Other liabilities**	-	-	3,554	-	-	-	3,554
Total financial liabilities	-	-	3,554	-	1,400,000	-	1,403,554
Total liquidity surplus (gap)	194,256	13,930	207,671	161,866	228,782	100,000	906,505
In KHR'000	793,536	56,904	848,338	661,223	934,573	408,500	3,703,073

*Excludes prepayment

**Excludes accrued expense

[The remainder of this page was left intentionally blank]

2022	Up to 1 month USD	>1-3 months USD	>3-12 months USD	>1-5 years USD	Over 5 years USD	No fixed maturity date USD	Total USD
Financial asset							
Cash on hand	10,705	-	-	-	-	-	10,705
Deposits and placements with NBC	-	-	-	-	-	101,655	101,655
Deposits and placements with banks	-	-	-	-	-	136,494	136,494
Loans to customers	-	-	450,364	21,921	1,882,231	-	2,354,516
Other assets*	-	-	16,635	-	-	-	16,635
Total financial assets	10,705	-	466,999	21,921	1,882,231	238,149	2,620,005
Financial liabilities							
Borrowings	-	-	-	-	1,500,000	-	1,500,000
Other liabilities**	-	-	4,750	-	-	-	4,750
Total financial liabilities	-	-	4,750	-	1,500,000	-	1,504,750
Total liquidity surplus (gap)	10,705	-	462,249	21,921	382,231	238,149	1,115,255
In KHR'000	44,072	-	1,903,079	90,249	1,573,645	980,459	4,591,504

*Excludes prepayment

**Excludes accrued expense

e) Capital management
i. Regulatory capital

The Company's lead regulator, the NBC, sets and monitors capital requirements for the Company as a whole.

The Company's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Company has complied with all externally imposed capital requirements throughout the year.

ii. 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.

25. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and date of authorisation of these financial statements.

26. Authorisation of the financial statements

The financial statements for the year ended 31 December 2023 were authorised for issue by the director on 22 April 2024.

G B Microfinance Institution Plc.
Supplementary Financial Information
For the year ended 31 December 2023

Contents

	Pages
Statement by management	1
Limitation	2
Net worth	3
Liquidity ratio	4
Solvency ratio	5
Minimum Capital	6
Provision of credit in national currency	6
Loan classification and allowance for loan losses	7
Net open position in foreign currency	8

The National Bank of Cambodia

Address: #88 Street 102 Corner Street 19 Sangkat Wat Phnom
Khan Daun Penh, Phnom Penh, Cambodia.

Statement by management on the supplementary financial information

I on behalf of the management of G B Microfinance Institution Plc., do hereby state that in my opinion, the accompanying supplementary financial information consisting of the disclosure requirements set by the relevant Prakas of the National Bank of Cambodia, has been properly drawn up so as to reflect fairly the required financial information of the Company as at 31 December 2023. Information and data contained herein are the responsibilities of the management of the Company.

On behalf of the management,



Mr. Tang Kuonghow
Chairman

Phnom Penh, Kingdom of Cambodia
Date: 22 April 2024

Limitation

This supplementary financial information is prepared by the management of the Branch, solely or the use of the National Bank of Cambodia ("NBC"). It is not to be used for any other purpose without the written consent of the management of the Branch.

The computations included herein following the definitions of the relevant Prakas and applicable notices set out in the respective schedules, form an integral part of, and should be read, in conjunction with this supplementary financial information.

For the purpose of this supplementary financial information, unless other stated, United States Dollar ("US\$") is the reporting currency. The translation of US\$ amounts into Khmer Riels ("KHR") are included solely for compliance with the guidelines issued by the NBC relating to the preparation and presentation of financial statements and have been made using the prescribed official closing exchange rate as indicated below, as published by NBC on 31 December 2023. These convenient translations should not be construed as representations that the US\$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

			Closing rate
31 December 2023	US\$1	=	KHR 4.085
31 December 2022	US\$1	=	KHR 4.117

Net worth

In accordance with the NBC's No. B7-07-132 dated 27 August 2007, net worth as calculated below shall be taken into account in calculating prudential ratios and other ratios. The Company's net worth as at 31 December 2023 was calculated as follows:

	2023		2022	
	USD	KHR'000	USD	KHR'000
Section A				
Capital or endowment	2,000,000	8,000,000	2,000,000	8,000,000
Reserve other than revaluation reserve	-	-	-	-
Share premium	-	-	-	-
Provision for general banking risk	-	-	-	-
Current year earning	-	-	-	-
Retained earning	-	-	-	-
Other items approve by NBC	-	-	-	-
Sub-total A	2,000,000	8,000,000	2,000,000	8,000,000
Section B				
Advance, loan to management	295,906	1,208,778	466,138	1,919,090
Holding of own shares	-	-	-	-
Current year losses	207,854	849,084	880,771	3,580,677
Accumulated losses	880,771	3,597,950	-	-
Loss determined on dates other than year-end	-	-	-	-
Sub-total B	1,384,531	5,655,812	1,346,909	5,499,767
C. Base Net Worth (A-B)	615,469	2,344,188	653,091	2,500,233
Section D				
Revaluation reserves	-	-	-	-
Subordinated debts	-	-	-	-
Other items approved by the NBC	-	-	-	-
Sub-Total D	-	-	-	-
Section E				
Equity Participation in Banking or Financial Institute	-	-	-	-
Other Items	-	-	-	-
Sub-Total E	-	-	-	-
F. Total Net Worth (C+D-E)	615,469	2,344,188	653,091	2,500,233

Liquidity ratio

In accordance with the NBC's Prakas No. B7-02-48 dated 25 February 2002, all licensed microfinance institutions are required to calculate a liquidity ratio which should be at least 100%. Details of calculations are shown below.

	2023		2022	
	USD	KHR'000	USD	KHR'000
Numerator				
Debit items:				
Cash and Gold	18,514	75,630	10,705	44,072
Deposits with other banks rather than NBC	172,846	706,076	135,133	556,392
Deposits with the NBC (Excluding statutory deposits)	2,896	11,830	1,655	6,764
Credit items:				
Sight accounts with NBC, Bank and OFLs			-	-
Borrowing from NBC and banks less than one month			-	-
Numerator: liquid assets	194,256	793,536	147,493	607,228
Denominator				
Voluntary deposits at 25%	-	-	-	-
Liquidity ratio - Numerator/Denominator	N/A	N/A	N/A	N/A

Conclusion: The Company liquidity ratio fall within the range accordance with NBC's Prakas.

Solvency ratio

In accordance with the NBC's Prakas No. B7-07-133 dated 27 August 2007, all licensed microfinance institutions shall observe a solvency ratio which is the ratio of their net worth to their aggregate credit risk exposures. The result found shall not be less than 15%. As at 31 December 2023, the solvency ratio of the company was calculated as follows:

	Weighting	2023		2022	
		USD	KHR'000	USD	KHR'000
Numerator					
Net Worth as at 31 December		615,469	2,514,189	653,091	2,500,233
Denominator					
Cash	0%	18,514	75,630	10,705	44,072
Gold	0%	-	-	-	-
Claims on NBC	0%	102,896	420,330	100,000	411,700
Asset secured by deposits lodged with bank	0%	-	-	-	-
Claims on sovereigns rated AAA to AA-	0%	-	-	-	-
Claims on sovereigns rated A+ to A-	20%	-	-	-	-
Claims on banks rated AAA to AA-	20%	-	-	-	-
Claims on sovereigns rated BBB+ to BBB-	50%	-	-	-	-
Claim on banks rated A+ to A-	50%	-	-	-	-
All other assets	100%	1,756,684	7,176,052	2,514,797	10,353,419
Off-balance sheet items:	0%	-	-	-	-
Total risk-weighted assets		1,756,684	7,176,052	2,625,502	10,809,191
Solvency ratio -numerator/ denominator		35.04%	35.04%	24.87%	24.87%

Conclusion: The Company's solvency ratio not less than 15% fall within the range of NBC's Prakas.

Minimum Capital

According to Prakas B7-016-117, issued by the NBC on 22 March 2016 on the "Minimum registered capital of banking and financial institution", microfinance institution shall have a minimum registered capital of KHR 6 billion [equivalent to USD1,500,000].

The current registered, issued and paid-up share capital of the Company as at 31 December 2023 were USD 2,000,000 [31 December 2022: USD 2,000,000].

Provision of credit in national currency

On 1 December 2016, the NBC issued Prakas No. B7-016-334 Prokor on provision of credit in national currency requires banks and financial institutions to have their loans in national currency at least 10% of their total portfolio. This Prakas shall take effect from the signing date and be fully implemented by 31 December 2019.

		2023		2022	
		USD	KHR'000	USD	KHR'000
Loans and advances in KHR	A	182,531	745,639	193,701	797,467
Total loans and advances	B	2,001,873	8,177,651	2,354,516	9,693,542
Provision of credit in national currency	A/B	9.12%	9.12%	8.23%	8.23%

Conclusion: The Company not fall within the range of NBC's Prakas.

Loan classification and allowance for loan losses

On 1 December 2017, the NBC issued Prakas No. B7-017-344 on Credit Risk Grading and impairment Provisioning ("the new Prakas") which repealed the previous Prakas. The new Prakas requires banks and financial institutions to calculate the regulatory provision by classifying their loan portfolio into five classes based on number of days past due of principal and/or interest repayment. The mandatory levels of general and specific allowance for losses on loans computed depending on the loan classification.

As at 31 December 2023, the Company's classification of allowance for losses on loans and advances based on the Prakas are as follows:

Classification	Per NBC's requirement			Per Company's policy	
	Principal loan USD	Allowance rate %	NBC's provision USD	Company provision USD	Under (over) provision USD
As at 31 December 2023					
Normal / standard	1,743,985	1%	17,440	2,998	14,442
Special mention	83,885	3%	2,517	64	2,453
Substandard	153,963	20%	30,793	7,342	23,451
Doubtful	-	50%	-	-	-
Loss	-	100%	-	-	-
Total	1,981,833		50,749	10,404	40,345
KHR'000 equivalent	8,095,787		207,309	42,500	164,809

Accrual interest receivables	19,739
Allowance for bad and doubtful loans	(10,404)
Total	1,991,168
KHR'000 equivalent	8,133,920

Classification	Per NBC's requirement			Per Company's policy	
	Principal loan USD	Allowance rate %	NBC's provision USD	Company provision USD	Under (over) provision USD
As at 31 December 2022					
Normal / standard	2,295,325	1%	22,953	40,024	(17,071)
Special mention	-	3%	-	-	-
Substandard	59,191	20%	11,838	7,046	4,792
Doubtful	-	50%	-	-	-
Loss	-	100%	-	-	-
Total	2,354,516		34,791	47,070	(12,279)
KHR'000 equivalent	9,693,542		143,236	193,787	(50,551)

Allowance for bad and doubtful loans	(47,070)
Total	2,307,446
KHR'000 equivalent	9,499,755

Net open position in foreign currency

In accordance with NBC Prakas No. B7-07-134 dated 27 August 2007, company shall at all times maintain their net open position in foreign currencies in either any foreign currency or overall net open position in all foreign currencies, whether long or short, not exceeding 20% of the Company's net worth.

Furthermore, in accordance with NBC Prakas No. B7-00-50 dated 17 February 2000, the Branch is required to disclose a summary of assets and liabilities as at balance sheet date in their source currency, as follows:

	2023						2022									
	Assets USD	Liabilities & capital USD	Off balance sheet receivables USD	Off balance sheet payables USD	Net open position (+) long/ (-) short USD	Net open position/ net worth %	Limit %	Excess over limit %	Assets USD	Liabilities & capital USD	Off balance sheet receivables USD	Off balance sheet payables USD	Net open position (+) long/ (-) short USD	Net open position/ net worth %	Limit %	Excess over limit %
USD	2,002,706	(2,343,899)	-	-	(341,193)	-55%	-	-	2,462,942	(2,658,499)	-	-	(196,770)	-30%	-	-
KHR	342,415	(1,222)	-	-	341,193	55%	-	-	196,770	(1,213)	-	-	196,770	30%	-	-
Total	2,345,121	2,345,121	-	-	-	-	-	-	2,659,712	(2,659,712)	-	-	-	-	-	-
KHR'000 equivalent	9,579,820	9,579,820	-	-	-	-	-	-	10,950,034	(10,950,034)	-	-	-	-	-	-