



SAHAKA MFI
together for prosperity



2020

ANNUAL REPORT

គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ សហការ ភីអិលស៊ី

SAHAKA MICROFINANCE INSTITUTION PLC



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ផ្ទះលេខ ២០៦ អ៊ី០អ៊ី១, ផ្លូវ ១៥៥, ក្រុមទី៥, ភូមិ១, សង្កាត់ ទួលទំពូងមួយ ខណ្ឌចំការមន រាជធានីភ្នំពេញ

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Mr. Bol Vanneat

Chairman and Chief Executive Officer

On behalf of the Board of Directors and Management of SAHAKA Microfinance Institution Plc, I am pleased to present the 2020 Annual Report and the audited financial statements for the year ended 31 December 2020 to the shareholders and stakeholders of SAHAKA Microfinance Institution Plc.

1. SAHAKA Microfinance Institution Plc

2020 is a year in which we focus on positive change. It is one of our strengths at a time of intense competition in the fight against and spread of the Covid-19 virus, the expansion of operations, and the organization of significant institutional reforms effectively.

In 2020, SAHAKA Microfinance Institution Plc. Will continue to implement its main goal to become a leading institution that can help improve the lives of the people, economy and society of Cambodia by training human resources through education and economy. Maintain the reputation of the institution. In addition, institutions had Contributed through the Cambodian Microfinance Association to prevent the spread of Covid-19 virus

and the guidelines of the National Bank of Cambodia in favor of the penalty that some customers are late in repayment, as well as allow upon request of customers in restructuring loan during the outbreak of Covid-19 virus in the Kingdom of Cambodia.

Financial Sector Growth

Due to the Kingdom of Cambodia taking refuge under the roof of peace and stability of economic growth from year to year and the expansion of many financial institutions, which we now see commercial banks Up to 48 banks, 13 specialized banks, 6 deposit microfinance institutions, 75 microfinance institutions and 15 leasing companies.

Governance

The Board of Directors and the management are responsible for ensuring that all operations of the institution are in compliance with the laws and regulations that are strictly observed. Depending on the role and responsibilities, the Board of Directors shall meet at least once regularly every year. The purpose of this meeting is to review the management's performance and effective control over the operation of the entire institution.

Vision 2021

Regarding to the real situation in Cambodia, there is an outbreak of the Covid-19 virus, which is slowing economic growth and causing people to lose their jobs and incomes, with many large sectors barely able to survive. There are activities such as tourism, services and hospitality, reducing the supply of raw materials for the textile, transport sector. Due to these factors, it is very difficult to prevent the spread of the disease and the sustainable recovery of the national economy. As a financial institution with a vision to help the people of Cambodia by improving the lives of the people, the socio-economic by training human resources through education and the economy remains committed to maintaining and providing credit quality and efficiency to the people to help them increase their income as well as help the Royal Government to restore the national economy sustainably.

Recognition

On behalf of the Board of Directors, I would like to thank all the stakeholders, clients, investors and financial partners, both domestic and foreign, for their trust, cooperation and support for the past years. Once again, I would like to thank the Board of Director for their advice and guidance, and for all the management and staff here who have led with such ability and commitment.

We would also like to express our gratitude to the Royal Government of Cambodia, the National Bank of Cambodia, regulators and authorities at all levels for their continued support and efforts to develop the financial sector in Cambodia for sustainable growth.

We would like to assure all our customers and stakeholders that in 2021, we will continue to care for and provide quality and effective credit to the people and prevent the spread of Covid-19 virus strongest as a financial institution.



Mr. Bol Vanneath
Chairman of the Board of Directors and CEO
15 June 2021

2. Who we are?

SAHAKA MICROFINANCE INSTITUTION PLC was established in December 2015 by two Cambodian and Japanese investors. SAHAKA was registered with the Ministry of Commerce as a public limited company and obtained a license recognized by the National Bank of Cambodia in April 2016 then started operating in Cambodia in Providing financial services through lending to customers.

For more than 5 years of business operation, we have provided services to many customers both in Phnom Penh and in some provinces.

Since obtaining the license, we have made great efforts to contribute to improving the lives of our people and the economy of Cambodia through quality and efficient lending. In addition, our institution strictly adheres to and abides by the laws and regulations of the Royal Government of Cambodia and other regulators, especially in accordance with the guidelines of the National Bank of Cambodia.

In order to comply with the International Financial Reporting Standards and comply with the regulations of the National Bank of Cambodia, from 2019 onwards, the Cambodian International Financial Reporting Standards for Small and Medium Enterprises (CIFRS for SME) have been implemented accuracy and completeness through proper independent audit.

Headquarter

206E0E1, Street 155, corner of Street 470, Sangkat Toul Tum Pong I
Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

Telephone	☎ +855 (0)23 967 779
Email	✉ sahakamfi@sahakamfi.com
Website	🌐 www.sahakamfi.com
Customer Service	☎ +855 (0)61 500 979 / +855 (0)93 500 979
Email Info	✉ info@sahakamfi.com



3. Vision and Mission

Vision

To become a leading institution that can help improve the living standards of the people, economy and society of Cambodia by training human resources through education and economy while maintaining the reputation of the institution.

Mission

Our business concept is to provide financial services with reasonable interest rates that people can afford to use our services to increase their income and living standards.



4. Summary operating results

Portfolio Outstanding

In USD	2018	2019	2020	Amount Move.	Movement (%)
Net Outstanding	5,318,144	3,336,883	5,259,695	1,922,812	6.62%
Total Net Outstanding	5,318,144	3,336,883	5,259,695	1,922,812	56.62%

Number of Borrowers

Number of Clients	2018	2019	2020	Amount Move.	Movement (%)
Female	189	381	100	(281)	(73.75%)
Male	402	360	290	(70)	(19.44%)
Total	591	741	390	(351)	(47.37%)

Loan Disbursed

No. Loan Disbursed	2018	2019	2020	Amount Move.	Movement (%)
Loan Disbursed (USD)	2,970,346	2,655,172	4,289,587	1,634,415	61.56%
Number of Clients	420	572	235	(337)	(58.92%)



5. Summary financial results

Summary Financial Statements (USD)

Assets

Date	2018	2019-CIFRS	2020-CIFRS
Total loan portfolio (Net)	5,264,900	3,336,883	5,259,695
Total Assets	7,058,136	4,171,663	5,946,067

Liabilities and Equity

Date	2018	2019-CIFRS	2020-CIFRS
Total Liabilities	5,817,137	3,779,356	4,619,494
Total Equity	1,240,999	392,307	1,326,573

Income and Expense

Date	2018	2019-CIFRS	2020-CIFRS
Interest Income	878,544	750,582	735,595
Interest Expense	(387,343)	(385,874)	(185,147)
Tax on Income	(9,726)	(8,320)	(10,465)
Net Income After Tax	(427,672)	(1,398,910)	(65,734)

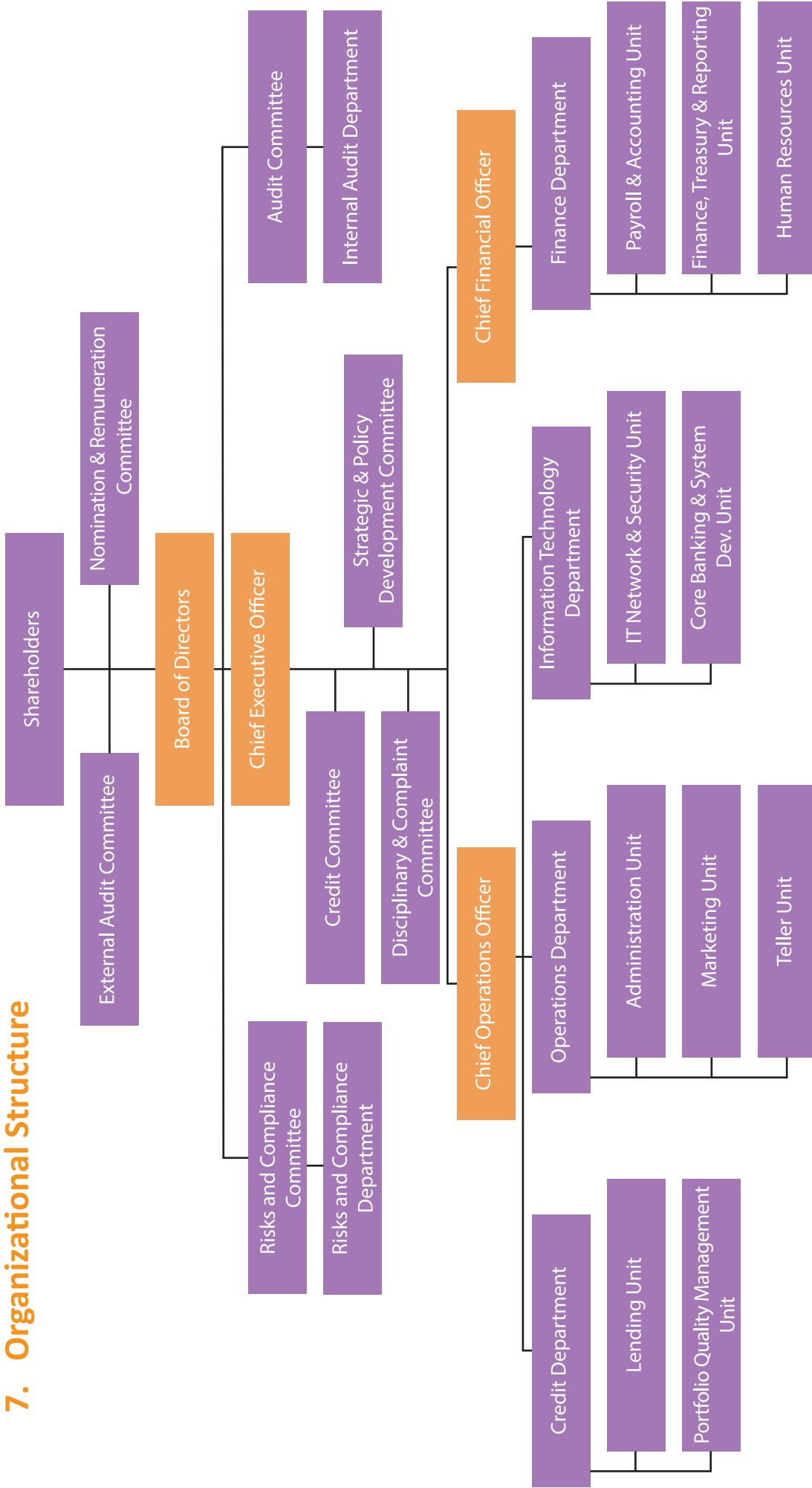


6. Financial Performance Indicators


Indecators	2018	2019	2020
Productivity and efficiency			
Operating expense ratio	11.38%	18.32%	14.13%
Average Loan size (USD)	9,513	5,218	14,418
Loan amount per credit officer (USD)	584,989	476,698	350,646
Number of clients per credit officer	59	73	26
Number of clients per staff	17	20	9
Operation Region			
Province	16	24	11
District	54	119	40
Commune	135	331	132
Village	224	460	233



7. Organizational Structure



8. Member Board of Director



Mr. Bol Vanneat
Chairman and CEO

Mr. Bol Vanneat is the CEO of the institution. After graduating with a Bachelor of Japanese in Education from the Institute of Foreign Languages and completing a study tour from Japan, he joined the Bank of Tokyo-Mitsubishi UFJ Ltd (BTMU).


He is also the CEO of Neat Education Information Center Co., Ltd (NEiC) and NiCam Co., Ltd



Mr. TAKAHIRO YAMASHITA
Board Member and CFO

Mr. Takahiro Yamashita is the Chief Financial Officer of the institution and he is also the Chief Financial Officer of Neat Education Information Center Co., Ltd. and NiCam Co., Ltd. He is currently also the CEO of CPOD Financial Consulting in Singapore.

Mr. Takahiro has more than 16 years of experience in Financial Consultant Service and Advisor.



Mr. TOSHIHIRO MIYAUCHI
Independent Board Member

Mr. Toshihiro Miyauchi is a member of the Independent Board of Directors. He is also the CEO of TM Pte. Ltd., (A private asset management and investment company) and Miyauchi Electric Engineering Co., LTD in Japan.

Mr. Toshihiro has many years of experience in business and financial management in Japan.

9. Management Team



Mr. SUM SINATH
Chief Operations Officer

Mr. Sum Sinath is Chief Operations Officer of the Institution. He completed his Master of Business Administration in 2007, Bachelor of Business Administration and Associate Degree in Accounting in 2005.

He has over 17 years of experience in the financial sector with both deposit and non-deposit microfinance institutions in Cambodia.



Mr. POL VUTHY RIRTH
Credit Manager

Mr. Pol Vuthy Rirth is the credit manager of the institution. He is pursuing a bachelor's degree in law after graduating with a bachelor's degree in accounting in 2006.

Mr. Pol Vuthy Rirth has more than 15 years of experience in the financial sector with deposit-taking microfinance institutions and banks in Cambodia.



Mr. DOM DY
Acting Finance Manager

Mr. Dom Dy is the Acting Financial Manager of the institution. He graduated with a bachelor's degree in major accounting in 2013.

Mr. Dom Dy has more than 7 years of experience in finance and tax accounting in the financial sector with deposit-taking microfinance institutions, banks and local money transfer companies in Cambodia.



Mrs. PHEUK SAMPHORS
HR & Administration Manager

Mrs. Pheuk Samphors is the Unit Manager of Human Resources and Administration of the institution. She graduated with a bachelor's degree in major accounting in 2011.

She has more than 11 years of experience as an accountant and administrator with many private companies such as Merchandising, hotels and microfinance institutions.



Mr. CHY LONGHENG
Internal Audit Manager

Mr. Chy Longheng is the Internal Audit Manager of the institution. He graduated with a Master's degree of Finance in 2019 and a Bachelor's degree in Accounting in 2012.

He has more than 7 years of experience in finance, accounting and auditing with both deposit-taking and non-deposit-taking microfinance institutions and leasing companies in Cambodia.



Mr. NOV VICHKA
Manager Risk and Compliance

Mr. Nov Vichika is the Unit Manager of Risk and Compliance of the institution. He graduated with a Bachelor's degree in Economics in 2010 and a Master's degree in General Management in 2015.

He has more than 10 years of experience as a Marketing Coordinator for 4 years and has been transferring to the banking and finance sector since 2014.

10. Risk management

SAHAKA Microfinance Plc Has established an excellent risk management structure to ensure the lowest possible level of risk. This risk management structure facilitates effective management of anticipation and operation of risk management and risk control processes.

The Risk Management Department is independent and plays an important role in risk management and reports directly to the Board of Directors.

Credit risk

The main role is responsible for developing credit risk management policies, setting conditions for credit approval judgments, risk monitoring and management, credit risk classification, credit portfolio risk analysis with recommendations and directly check the credit independently.

Operational risk

SAHAKA regularly on risk assessment and management, monitoring of risk indicators Important and regularly tested business sustainability plans, especially in the context of Kovid 19 outbreak. Launching new products and modifying existing products, services or process modifications requires a thorough risk assessment to prevent and mitigate potential risks.

Market risk

Market risk refers to losses that are caused by prices or rates that may occur on a trading list or on a non-trading list, either on or off the balance sheet. Regardless of the level of risk, SAHAKA Microfinance Plc Faces only non-trading risk, which includes interest rates.

Liquidity risk

SAHAKA is a microfinance institution that only provides credit services, so this type of risk does not affect our institution. Due to good cash management, our organization does not have a problem with cash flow.



11. Internal control

SAHAKA MICROFINANCE INSTITUTION PLC was established in December 2015 by two Cambodian and Japanese investors. SAHAKA was registered with the Ministry of Commerce as a public limited company and obtained a license recognized by the National Bank of Cambodia in April 2016 then started operating in Cambodia in Providing financial services through lending to customers.

Internal audit activities are independent, impartial in guaranteeing and consulting, which is designed to improve the operation of the entire SAHAKA. Internal audit contributes to SAHAKA by providing assessment and disciplinary approaches and improves the effectiveness of risk management, internal control and governance processes.

Internal audit activities are not obstructed by any part of the unit, including audit procedures, scope, frequency, timing or reporting to maintain independence and accuracy as necessary. Due to these independent activities, the risk management and internal control of the SAHAKA are better and more effective.

Internal auditors must be independent of day-to-day operations and must avoid involvement that could affect their ability to provide independent and accurate services. For internal audit, the auditor has no role or authority beyond the audit and audit activities.



12. Management Committee

In order to effectively manage and ensure the growth of SAHAKA Microfinance Institution Plc. This management system is prepared and reported to the Board of Directors and the Chief Executive Officer.

Nomination and Fees Commission

The commission was set up to determine the conditions for appointing or dismissing a managing director. In addition, the Commission has the right to determine and propose the appointment or termination of the Managing Director to the Annual General Meeting of Shareholders.

Audit Committee

This commission was established to conduct audit arrangements and ensure the effective management of risk and internal control of the entire institution. In addition, the Commission has the right to decide and propose the appointment or termination of independent auditors to the annual shareholders' meeting.

Risk Management and Compliance Committee

The Commission was established to develop an effective risk management system and practices, errors and compliance with the risk monitoring and control process. This committee is responsible for overseeing the day-to-day risk management of the entire institution. The Commission is independent in managing risk and reporting directly to the Board.

Credit Committee

This committee is set up to review and receive necessary reports from other management to assess and manage credit risk. The Commission is responsible for managing and managing the effectiveness and implementation of credit policies by overseeing procedures, receiving reports and other important information, including credit ratings, process oversight. Credit support for internal audit and independent audit. The Commission is also responsible for monitoring the capacity and quality of credit by reviewing selected loan models and appropriate information, including credit classifications and non-performing loans.

Strategic & Policy Development Committee

This committee is set up to discuss between departments or divisions to develop products to meet the needs of customers and compete in the market. The commission was set up specifically for the credit part to develop new products that could partially in financial sector of SAHAKA.

13. Our Product

Business Loan



Business loan products are designed for individual customers who wish to use for business start-up, business expansion, which is in line with our institution's mission to increase income and people's livelihood.

Housing Loan



Housing Loan products are designed for individual customers who wish to purchase their house unconditionally. The customer can take the existing property or other property instead as collateral for this type of loan.

Business Loan



Car loan products are designed to meet the needs of customers who need to use their own car or for the family, they can apply for this type of loan easily and quickly. studies. collateral for this type of loan.

Student Loan



Student loan products are designed to meet the needs of clients who are students and wish to continue their studies but are unable to do so due to the cost of tuition fees, so this type of loan is a real need for them to continue their studies. collateral for this type of loan.

Personal loan



Personal loan products are designed to meet the needs of customers who wish to use cash for family support and for specific personal purposes. This type of loan is extremely convenient for customers because it is fast and long term that customers can repay effectively.

14. Our target customers



Providing efficient financial services is an important point that our institution adheres to in line with our mission and practices to meet the needs of our clients, offering a wide range of personal and small and medium-sized businesses. The reasonable interest rates and prices that allow customers to easily make decisions before choosing to use products of SAHAKA.

Family



As Cambodia has a steady economic growth, the population's income has increased from year to year through agriculture, trading, transportation services. Their income has been steadily increasing, enabling them to use SAHAKA'S car loan products with confidence and sustainability.

Smallest enterprise



Most small enterprises are family-run businesses with family members assisting in business activities. Most of those enterprises are have staffs less than 10 people, mostly family members. This type of enterprise is very abundant in the provinces in the Kingdom of Cambodia.

Small enterprise

Most small enterprises have 10 to 50 members and are located in the city and suburbs. This type of enterprise can be food, furniture, decoration, etc.

Medium Enterprise

An type of enterprise located in a town, district or province. This type of enterprise generally owns its own assets and has 51 to 100 members.

15. Risk management and internal control

Internal control is an important factor for all companies and institutions that help the day-to-day operations of the organization as a whole to succeed and help the organization achieve its goals effectively. Many institutions are unable to control costs and fraud due to weak or ineffective internal controls.

SAHAKA had created an excellent internal control system to protect the assets of the organization, improve customer service, prevent and reduce any mistakes that may occur intentionally or unintentionally to ensure that all employees adhere to the principles and other instructions.

SAHAKA's policies and procedures are monitored by all relevant parties and integrated into the internal control system of the entire organization. A clear division of responsibilities and double oversight are the best workflows to avoid having employees perform the entire operation alone. All employees are responsible for their respective obligations and adhere to the policy of risk management and internal control. In addition, management must remind its subordinates to always abide the policies and guidelines of the organization.

All employees have a risk management role in their individual and institutional responsibilities. All staff, management, manager and unit manager is responsible for the internal control and manage of any risks that may arise on a regular basis.

In order to be more effective in internal control, SAHAKA Microfinance Institution has established the Internal Audit Department as an independent department that reviews and evaluates the completeness and effectiveness of the internal control system implemented by the staff and management of SAHAKA. The Internal Audit Department reports directly to the Board of Audit Committee. The Internal Audit Department complies with the Prakas of the National Bank of Cambodia on "Internal Audit of Banking and Financial Institutions" for the structure of the internal audit, the purpose of the internal audit function, strategic resources and audit procedures.

In 2020, the Internal Audit Department has completed its audit work, covering audits of key operations and investigating certain activities.

The results of the audit and the annual achievements of SAHAKA stated that the loans given to customers in accordance with the policies are still good for the institution despite the outbreak of Kovid-19 disease. Employees at all levels perform their duties well and perform internal control effectively.

16. Report of the Board of Directors

The Board of Directors submits this report together with the financial statements of Sahaka Microfinance Institution Plc (“the Company”) as at 31 December 2020 and for the year then ended.

The Company

Sahaka Microfinance Institution Plc. (“the Company”) is a public limited company incorporated in the Kingdom of Cambodia and registered with the Ministry of Commerce under registration number 00005854 on 8 December 2015.

The Company’s registered address is located at No. 206E0E1, St. 155, Group 5, Phum 1, Sangkat Tuol Tumpung Muoy, Khan Chamkar Mon, Phnom Penh, Kingdom of Cambodia.

Principal activities

The principal activity of the Company is to provide sustainable micro-finance services to small and medium enterprises, and low-income families in the Kingdom of Cambodia.

Results of operations

The results of the Company’s operations for the year, and the state of its affairs as at that date, are set out in the financial statements which is audited as of 31st December 2020.

The directors do not recommend the payment of any dividends in respect of the year.

Board of Directors

The members of the Board of Directors of the Company during the year and to the date of this report are as follows:

Name	Position
Mr. Bol Vanneat	Chairman and Chief Executive Officer
Mr. Yamashita Takahiro	Director
Mr. Miyauchi Toshihiro	Independent Director

Auditor

The financial statements as at 31 December 2020 and for the year then ended have been audited by Grant Thornton (Cambodia) Limited.

Board of Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ensuring that the financial statements are properly drawn up so as to 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 flows for the year then ended. When preparing the financial statements, the Board of Directors is required to:

- i. Adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii. Comply with the disclosure requirements of the Cambodian International Financial Reporting Standard for Small and Medium-sized Entities 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 control;
- 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 Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Statement by the Board of Directors

In the opinion of the Board of Directors, the accompanying statements of financial position, comprehensive income, changes in equity and cash flows, together with the notes thereto, have been properly drawn up and 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 flows for the year then ended, in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities and guidelines of the National Bank of Cambodia.

On behalf of the Board of Directors:



Mr. Bol Vanneat
Chairman and Chief Executive Officer
Phnom Penh, Kingdom of Cambodia
26 April 2021

17. Independent auditor's report

To the Shareholders of Sahaka Microfinance Institution Plc

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities (“CIFRS for SMEs”) and guidelines of the National Bank of Cambodia (“the NBC”).

Basis for opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”) together with ethical requirements that are relevant to our audit of financial statements in the Kingdom of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company as at 31 December 2019 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 August 2020.

Other information

Management is responsible for the other information. The other information comprises the Report of the Board of Directors, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors and respond to that matter in accordance with the requirements of CISA 720 (revised).

Responsibilities of the Board of Directors for the financial statements

The Board of Directors of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with CIFRS for SMEs, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of 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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Grant Thornton



GRANT THORNTON (CAMBODIA) LIMITED

Certified Public Accountants

Registered Auditors

Ronald C. Almera

Ronald C. Almera

Partner – Audit and assurance

Phnom Penh, Kingdom of Cambodia

26 April 2021

Statement of financial position

	Note	31 December 2020		31 December 2019	
		USD	KHR'000	USD	KHR'000
			(Note 3.2)		(Note 3.2)
Assets					
Cash on hand	6	93,589	378,568	49,956	203,571
Deposits and placements with the National Bank of Cambodia	7	171,721	694,611	121,372	494,591
Deposits and placements with other banks					
Loans to customers - net	8	214,252	866,649	432,097	1,760,795
Other assets	9	5,259,695	21,275,466	3,336,883	13,597,798
Property and equipment	10	19,105	77,280	38,197	155,653
Intangible assets	11	109,355	442,341	120,781	492,183
Deferred tax assets - net	12	42	170	201	819
Cash on hand	13.4	78,308	316,756	72,176	294,117
Total assets		5,946,067	24,051,841	4,171,663	16,999,527
Equity and liabilities					
Equity					
Share capital	16	3,300,000	13,277,000	1,800,000	7,200,000
Additional capital contribution	16	-	-	500,000	2,000,000
Accumulated losses		(1,981,063)	(8,011,353)	(1,915,329)	(7,804,966)
Regulatory reserve	17	7,636	30,681	7,636	30,681
Currency translation reserves		-	69,659	-	172,936
Total equity		1,326,573	5,365,987	392,307	1,598,651
Liabilities					
Other liabilities	14	103,195	417,424	64,581	264,268
Borrowings	15	4,515,329	18,264,506	3,713,535	15,132,655
Minimum tax liability	13.5	970	3,924	970	3,953
Total liabilities		4,619,494	18,685,854	3,779,356	15,400,876
Total equity and liabilities		5,946,067	24,051,841	4,171,663	16,999,527

Statement of comprehensive income

	Note	For the year ended		For the year ended	
		31 December 2020		31 December 2019	
		USD	KHR'000	USD	KHR'000
			(Note 3.2)		(Note 3.2)
Interest income	18	735,595	2,999,021	750,582	3,041,358
Interest expense	19	(185,147)	(754,844)	(385,874)	(1,563,561)
Net interest income		550,448	2,244,177	364,708	1,477,797
Fees and commission income		-	-	11,482	46,525
Other operating income	19	213,573	870,737	56,325	228,229
Total operating income		764,021	3,114,914	432,515	1,752,551
General and administrative expenses	20	(783,573)	(3,194,627)	(720,442)	(2,919,231)
Net impairment loss on financial assets	9	(41,849)	(170,618)	(1,133,749)	(4,593,951)
Loss before income tax		(61,401)	(250,331)	(1,421,676)	(5,760,631)
Minimum income tax expense	13.1	(10,465)	(42,666)	(8,320)	(33,713)
Deferred income tax benefit	13.4	6,132	25,000	31,086	125,960
Net loss for the year		(65,734)	(267,997)	(1,398,910)	(5,668,384)
Other comprehensive (loss)/income -					
Currency translation differences		-	(41,667)	-	78,923
Total comprehensive loss for the year		(65,734)	(309,664)	(1,398,910)	(5,589,461)

Statement of changes in equity

	Share Capital		Additional capital contribution		Regulatory reserve		Accumulated losses		Currency translation reserves		Total
	USD	KHR'000	USD	KHR'000	USD	KHR'000	USD	KHR'000	USD	KHR'000	
		(Note 3.2)		(Note 3.2)		(Note 3.2)		(Note 3.2)		(Note 3.2)	(Note 3.2)
Balance as at 1 January 2020	1,800,000	7,200,000	500,000	2,000,000	7,636	30,681	(1,915,329)	(7,743,356))	111,326	392,307	1,598,651
Additional and transfer of capital	1,500,000	6,077,000	(500,000)	(2,000,000)	-	-	-	-	-	-1,000,000	4,077,000
Net loss for the year	-	-	-	-	-	-	(65,734)	(267,997)	-	(65,734)	(267,997)
Currency translation differences	-	-	-	-	-	-	-	-	(41,667)	-	(41,667)
Balance as at 31 December 2020	3,300,000	13,277,000	-	-	7,636	30,681	(1,981,063)	(8,011,353)	69,659	1,326,573	5,365,987

	Share Capital		Additional capital contribution		Regulatory reserve		Accumulated losses		Currency translation reserves		Total
	USD	KHR'000	USD	KHR'000	USD	KHR'000	USD	KHR'000	USD	KHR'000	
		(Note 3.2)		(Note 3.2)		(Note 3.2)		(Note 3.2)		(Note 3.2)	(Note 3.2)
Balance as at 1 January 2019	1,800,000	-	-	-	7,636	30,681	(516,419)	(2,074,97)	32,403	1,291,217	5,188,112
Additional capital	-	500,000	500,000	2,000,000	-	-	-	-	-	500,000	2,000,000
Net loss for the year	-	-	-	-	-	-	(1,398,910)	(5,668,34)	-	(1,398,91)	(5,668,34)
Currency translation differences	-	-	-	-	-	-	-	-	78,923	-	78,923
Balance as at 31 December 2019	1,800,000	500,000	500,000	2,000,000	7,636	30,681	(1,915,329)	(7,743,35)	111,326	392,307	1,598,651

Statement of cash flows

	Note	For the year ended		For the year ended	
		31 December 2020		31 December 2019	
		USD	KHR'000	USD	KHR'000
Operating activities					
Loss before income tax		(61,401)	(250,331)	(1,421,676)	(5,760,631)
Adjustments for:					
Depreciation and amortisation	11&12	54,028	220,272	61,494	249,174
Net impairment loss on financial assets	9	41,849	170,618	1,133,749	4,593,951
Gain on disposal of property and equipment	20	(15,164)	(61,824)	(2,045)	(8,288)
Operating income/(loss) before working capital changes					
		19,312	78,735	(205,712)	(833,547)
Changes in working capital					
Changes in:					
Capital guarantee deposit		(50,000)	(203,850)	-	-
Loans to customers - net		(1,964,661)	(8,009,923)	848,942	3,439,914
Other assets		19,092	77,838	8,163	33,076
Other liabilities		38,344	156,328	4,662	18,890
Net cash (used in)/generated from operations					
		(1,937,913)	(7,900,872)	633,289	2,566,086
Minimum income tax paid	13.5	(10,465)	(42,666)	(7,794)	(31,581)
Net cash (used in)/from operating activities					
		(1,948,378)	(7,943,538)	625,495	2,534,505
Investing activities					
Purchases of property and equipment and intangible assets					
	11&12	(42,443)	(173,040)	(66,723)	(270,361)
Proceeds from disposal of property and equipment		15,164	61,824	45,320	183,637
Net cash used in investing activities					
		(27,279)	(111,216)	(21,403)	(86,724)
Financing activities					
Additional capital contribution	16	1,000,000	4,077,000	500,000	2,026,000
Proceeds from/(repayment of) borrowings		801,794	3,268,914	(2,049,706)	(8,305,408)
Net cash from/(used in) financing activities					
		1,801,794	7,345,914	(1,549,706)	(6,279,408)
Net change in cash and cash equivalents during the year					
		(173,863)	(708,840)	(945,614)	(3,831,627)
Cash and cash equivalents as at 1 January		488,425	1,990,332	1,434,039	5,761,968
Currency translation differences		-	(9,089)	-	59,991
Cash and cash equivalents as at 31 December 20					
	21	314,562	1,272,403	488,425	1,990,332

18. Notes to the financial statements

1. The Company

Sahaka Microfinance Institution Plc. (“the Company”) is a public limited company incorporated in the Kingdom of Cambodia and registered with the Ministry of Commerce under Registration Number 00005854 on 8 December 2015.

The registered and business address of the Company is located at No 206E0E1, Street 155, Phum 1, Sangkat Tuol Tumpung Muoy, Khan Chamkar Mon, Phnom Penh, Kingdom of Cambodia. The principal activity of the Company is to provide the public with sustainable micro-finance services to small and medium enterprises, and low-income families in the Kingdom of Cambodia.

2. Statement of compliance

The financial statements have been prepared in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities (“CIFRS for SMEs”), which have been adopted by the Ministry of Economy and Finance, under Prakas No. 068BK MEF dated 8 January 2009, and the National Accounting Council, under Announcement No. 097/09 MEF dated 28 August 2009. The financial statements are presented in US dollars (“USD”), which is also the functional currency of the Company.

3. Summary of significant accounting policies

3.1 Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These accounting policies have been used throughout all periods presented in these financial statements, unless otherwise stated.

3.2 Functional and presentation currency

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Company transacts its business and maintains its accounting records primarily in USD, Management has determined the USD to be the Company’s currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Company.

Transactions in foreign currencies, other than USD, are translated to USD at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than USD at the reporting date are translated into USD at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the statement of comprehensive income.

The translations of USD amounts into KHR as presented in the financial statements are included solely to comply with the requirement pursuant to the Law on Accounting and Auditing dated 11 Recoveries of loans previously written off are disclosed as other operating income in the statement of comprehensive income.

April 2016 and have been made using the prescribed official exchange rate based on the following applicable exchange rate per USD1 as announced by the General Department of Taxation (“GDT”). Starting from January 2020, the GDT instructed to use the rates published by the National Bank of Cambodia:

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

*The average amounts were determined by using the NBC’s average of month-end rates

Such translation amounts are unaudited and should not be construed as representations that the USD amounts represent, or have been or could be, converted into KHR at that or any other rate of exchange.

3.3 Basis of aggregation

The financial statements include the financial statements of the head office and its branches after the elimination of significant inter-branch balances and transactions

3.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with other banks.

3.5 Deposits and placements with the NBC

Deposits and placements with the NBC include the statutory deposit and deposits held at call. The statutory deposit is stated at cost and represent mandatory reserve deposits and cash maintained with the NBC in compliance with the Law on Banking and Financial Institutions and are not available to finance the Company’s 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.

3.6 Loans to customers – net

Loans to customers are recognized initially at fair value plus any directly attributable transaction costs. Where credit is extended beyond normal credit terms, receivables are measured at amortized cost using the effective interest method.

At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. Loans are written off to the statement of comprehensive income when the loans are provisioned in full and remain unpaid after maturity date or when the proven certainty of being uncollectable loans is proven. Loans written off are taken out of the outstanding loan portfolio and deducted from the allowance for bad and doubtful loans.

3.7 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.

3.8 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of an asset.

Subsequent costs are included in an assets' carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Company is obligated to incur when the asset is acquired, if applicable. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

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

Depreciation of property and equipment is charged to the statement of comprehensive income on a declining balance method, except for leasehold improvements which are depreciated on a straight-line method, over the following useful lives of the individual assets:

	Estimated useful life
Furniture and fixtures and office equipment	4 Years
Computer equipment	2 Years
Motor vehicles	5 Years

In the case of leasehold improvements, the estimated useful life is the shorter between the leasehold improvements' useful life and the lease term.

The residual value, useful lives and depreciation methods of assets are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

The carrying amount of an asset is written-down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

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

3.9 Intangible assets

Intangible assets consist of computer software license and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Acquired computer software license is capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. Intangible assets are amortised on a straight-line method at the rate of 10% per annum. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

3.10 Borrowings

Borrowings are recognised initially at the transaction price and subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method

3.11 Employee benefit obligation

Past seniority payment

Prakas No. 443, issued on 21 September 2018 by the Ministry of Labour and Vocational Training (“MoLVT”), requires the Company to pay past seniority indemnity payment to employees with undetermined duration contract. All employees who have been working before 1 January 2019 and continue to work are entitled to a payment of fifteen days of their average wages of each year of service, totalling not exceeding six months, and shall be paid every year starting 2019 as follows:

- 7.5 days shall be made in June; and
- 7.5 days shall be made in December of each year.

The past seniority indemnity payment was recognised in full during the year 2018 and future seniority payment (amounting to 15 days per annum) to employees are recognised during the employees’ periods of service.

On 22 March 2019, MoLVT issued a Directive no.042/19 on the Back Pay of Seniority Payment before 2019 for the Enterprise and Institution beside Textile, Garment and Footwear sector, postponing the payment of back pay until December 2021 and changing the payment from 15 days of average wages of each year of service to 6 days as follows:

- 3 days shall be made in June; and
- 3 days shall be made in December of each year.

For employees with determined duration contract, they are entitled to the severance pay at least 5% of their wages paid during the length of the contract.

Employee are not entitled to the remaining past seniority payment upon resignation.

Short-term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses, severance pay and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Company.

Short-term accumulating compensated absences such as paid annual leave is recognized as an expense when employees render services that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave is recognized when the absence occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Company.

Bonuses are recognized as an expense when there is present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

3.12 Other liabilities

Trade and other payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method☒

3.13 Equity, dividend payment and accumulated losses

Share capital represents the nominal (par) value of shares that have been issued.

Dividends declared and approved by the Company's shareholders before the end of reporting date are recognised as a liability and accounted for as a deduction from the retained earnings in the financial statements. Dividends declared and approved by the Company's shareholders after the reporting date are not recognised as a liability but disclosed as the subsequent events in the note to the financial statements.

Accumulated losses include all current and prior period losses.

3.14 Regulatory provision

Credit classification and provisioning for financial institutions in accordance with Prakas No. 7-017-344, dated

1 December 2017 as issued by the NBC, provides guidance on credit classification and regulatory provisioning for financial institutions in Cambodia, as summarised below:

Classification	Number of days past due	Provision
Long-term loans (more than one year)		
Standard	0 – 29 days	1%
Special mention	30 – 89 days	3%
Substandard	90 – 179 days	20%
Doubtful	180 – 359 days	50%
Loss	Over 359 days	100%

Short-term loans (less than one year)	Number of days past due	Provision
Normal		
Special mention	0 – 14 days	1%
Substandard	15 – 30 days	3%
Doubtful	31 – 60 days	20%
Loss	61 – 90 days	50%
	Over 90 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 7-017-344 and, accordingly:

1. In case the regulatory provision calculated in accordance with the said Prakas is lower than the calculation in accordance with CIFRS for SMEs, the Company shall record the provision calculated in accordance with CIFRS for SMEs.
2. In case the regulatory provision calculated in accordance with the said Prakas is higher than the calculation in accordance with CIFRS for SMEs, the Company shall record the provision calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings or accumulated loss account into regulatory reserve in the equity section of the statement or financial position.

The regulatory reserve shall not be included in the calculation of the Company's net worth.

3.15 Interest income and expenses

Interest income and expenses are recognised on an accrual basis using the effective interest method.

Interest income and expense presented in the statement of comprehensive income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

3.16 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 interest income over the term period of the loan to customer.

3.17 Operating expenses

Operating expenses are recognized in the statement of comprehensive income in the period in which they are incurred.

3.18 Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lesser) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

3.19 Income taxes

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

Current income tax assets and/or liabilities comprise those obligations to or claims from fiscal authorities relating to 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.

Deferred income tax is calculated on temporary differences between the carrying amounts of assets and liabilities and their tax bases that are expected to increase or reduce taxable profit in the future and on unused tax losses and unused tax credits.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization provided that they are enacted or substantively enacted at the reporting date, taking into consideration all possible outcomes of a review by the tax authorities.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted as necessary to reflect the current assessment of future taxable profit.

3.20 Related parties

A related party is a person or entity that is related to the Company. A related party transaction is a transfer of resources, services or obligations between the Company and its related party, regardless of whether a price is charged.

- a. A person or a close member of that person's family is related to the Company if that person:
 - i. Has control or joint control over the Company;
 - ii. Has significant influence over the Company; or
 - iii. Is a member of the key management personnel of the ultimate holding company of the Company, or the Company
- b. An entity is related to the Company if any of the following conditions applies:
 - i. The entity and the Company are members of the same group.
 - ii. One entity is an associate or joint venture of the other entity.
 - iii. Both entities are joint ventures of the same third party.
 - iv. On entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefits of employees of either the Company or an entity related to the Company.
 - vi. The entity is controlled or jointly-controlled by a person identified in a. above.
 - vii. A person identified in a.i. above has significant influence over the entity or is a member of the key management personnel of the ultimate holding company or the entity.
 - viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

3.21 Impairment of non-financial assets

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 ("CGU") 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 CGU'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 (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

4. Significant Management's judgement in applying accounting policies and estimation uncertainty

The Company makes estimates, assumptions and judgments concerning future transactions which may not equal actual results. The accounting estimates, assumptions and judgments which may cause significant impact on the current recognition and measurement of assets, liabilities, income, and expenses are summarised below:

a. Significant accounting estimates and assumptions

Income taxes

The Company will recognise liabilities for expected tax expenses based on an estimate of whether the taxes are due through Management's current interpretation of the various tax legislations which are subject to periodic changes. The final determination of tax expenses will be made following examination by the General Department of Taxation.

When the final tax outcome of these matters is different from the amount that were initially recognised, such differences will impact the tax provision in the financial year in which such determination is made.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Useful life of depreciable assets

The Company reviews its estimate of the useful life of depreciable assets at each reporting date, based on the expected utility of the assets.

Impairment

In assessing impairment, the Company estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

b. Significant accounting judgments

The directors are not aware of any critical judgments in relation to the amounts in the financial statements.

5. Going concern

The financial statements have been prepared assuming that the Company will continue as a going concern. The Company has recurring losses and, as a result, has accumulated losses of USD1,981,063 (31 December 2019: USD1,915,329) as at 31 December 2020. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the continued financial support from the shareholders to sustain its operations and meet its obligations as and when they fall due.

The shareholders have issued a formal undertaking to continue to provide all necessary financial support to the Company when the need arises so as to enable the Company to continue its operations. Such financial support includes the injection of working capital, support in connection with the provision of third-party debts and relief from related party financial obligations.

6. Cash on hand

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
US dollars	83,115	336,200	44,984	183,310
Khmer riels	10,474	42,368	4,972	20,261
	93,589	378,568	49,956	203,571

7. Deposits and placements with the National Bank of Cambodia (NBC)

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Capital guarantee deposits (*)	165,000	667,425	115,000	468,625
Current account (**)	6,721	27,186	6,372	25,966
	171,721	694,611	121,372	494,591

(*). The capital guarantee deposit is maintained with the NBC in compliance with Prakas No. B7-00-006 on the Licensing of Microfinance Institutions, the amount of which are determined at 5% of the Company's registered share capital. The guarantee deposit is refundable when the Company voluntarily liquidates and has no deposit liabilities. The capital guarantee deposit earns interest at the rate of 0.48%-0.72% per annum.

(**). Current account earns no interest.

8. Deposits and placements with other banks

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Current accounts	214,210	866,479	420,613	1,713,998
Saving accounts	42	170	11,484	46,797
	214,252	866,649	432,097	1,760,795

9. Loan to customers - net

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Individual loans -gross	5,623,067	22,745,306	3,803,953	15,501,108
Discount	39,351	159,175	87,186	355,283
Total individual loans - gross	5,662,418	3,891,139	3,891,139	15,856,391
Allowance for bad and doubtful loan to customers	(402,723)	(554,256)	(554,256)	(2,258,593)
	5,259,695	3,336,883	3,336,883	13,597,798

The movements in allowance for bad and doubtful loan to customers are as follow:

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Balance at beginning of the year	554,256	2,258,593	362,587	1,456,874
Allowance for the year	41,849	170,618	1,133,749	4,593,951
Written off for the year	(193,382)	(788,418)	(942,080)	((3,817,308)
Currency translation difference	-	(11,778)	-	25,076
Balance at the end of the year	402,723	1,629,015	554,256	2,258,593

Gross loans to customers are analysed as follows:

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
By maturity:				
Within one year	11,042	44,665	127,040	517,687
From one to five years	2,304,420	9,321,379	1,481,649	6,037,720
More than 5 years	3,307,605	13,379,262	2,195,264	8,945,701
	5,623,067	22,745,306	3,803,953	15,501,108

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
By currency:				
US dollars	5,538,576	22,403,540	3,593,061	14,641,723
Khmer riel	84,491	341,766	210,892	859,385
	5,623,067	22,745,306	3,803,953	15,501,108

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
By economic sector:				
Trade and commerce	2,838,502	11,481,741	1,304,947	5,317,659
Agriculture	2,784,565	11,263,565	2,499,006	10,183,449
	5,623,067	22,745,306	3,803,953	15,501,108

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
By relationship:				
External customers	5,576,050	22,555,122	3,514,139	14,320,116
Staff loans	47,017	190,184	289,814	1,180,992
	5,623,067	22,745,306	3,803,953	15,501,108

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
By exposure:				
Large exposures	645,670	2,611,735	1,107,264	4,512,101
Non-large exposures	4,977,397	20,133,571	2,696,689	10,989,007
	5,623,067	22,745,306	3,803,953	15,501,108

	2020	2019
By interest rate (per annum):		
Short-term loans	8%-18%	8%-18%
Long-term loans	8%-18%	8%-18%

10. Other assets

	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
Rental deposits	16,136	65,270	16,333	66,557
Prepaid rental	2,185	8,838	-	-
Advances	784	3,172	21,864	89,096
	19,105	77,280	38,197	155,653



11. Property and equipment

	Leasehold	Furniture and	Office	Computer	Total
	improvements	fixtures	equipment	equipment	
	USD	USD	USD	USD	KHR'000
Cost					(Note 3.2)
Balance as at 1 January 2020	45,995	2,297	31,970	30,246	1,075,690
Additions	-	462	609	1,167	173,040
Disposals	-	-	-	-	(106,002)
Currency translation difference	-	-	-	-	(8,445)
Balance as at 31 December 2020	45,995	2,759	32,579	31,413	1,134,283
Accumulated depreciation					
Balance as at 1 January 2020	17,963	2,285	27,084	21,957	583,507
Charge for the year	7,515	135	3,435	4,759	219,624
Disposals	-	-	-	-	(106,002)
Currency translation difference	-	-	-	-	5,187
Balance as at 31 December 2020	25,478	2,420	30,519	26,716	691,942
Carrying amounts as at 31 December 2020	20,517	339	2,060	4,697	442,341

11. Property and equipment (Continued)

	Leasehold	Furniture and	Office	Computer	Motor vehicles	Total
	improvements	fixtures	equipment	equipment		
	USD	USD	USD	USD	USD	KHR'000
Cost						(Note 3.2)
Balance as at 1 January 2019	45,995	2,297	29,268	23,480	179,396	1,126,792
Additions	-	-	2,702	6,766	57,155	269,956
Disposals	-	-	-	-	(83,086)	(336,664)
Currency translation difference	-	-	-	-	-	15,606
Balance as at 31 December 2019	45,995	2,297	31,970	30,246	153,465	1,075,690
Accumulated depreciation						
Balance as at 1 January 2019	10,449	1,815	22,001	16,081	72,539	493,752
Charge for the year	7,514	470	5,083	5,876	41,175	243,598
Disposals	-	-	-	-	(39,811)	(161,315)
Currency translation difference	-	-	-	-	-	(7,472)
Balance as at 31 December 2019	17,963	2,285	27,084	21,957	73,903	583,507
Carrying amounts as at 31 December 2019	28,032	12	4,886	8,289	79,562	492,183

12. Intangible assets

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Cost	7,554	30,783	7,454	29,950
Balance as at 1 January	-	-	100	405
Additions	-	(227)	-	428
Currency translation difference	7,554	30,556	7,554	30,783
Balance as at 31 December	7,554	30,783	7,454	29,950
Accumulated depreciation				
Balance as at 1 January	7,353	29,964	5,977	24,015
Charge for the year	159	648	1,376	5,576
Currency translation difference	-	(226)	-	373
Balance as at 31 December	7,512	30,386	7,353	29,964
Carrying amounts as at 31 December	42	170	201	819

13. Income tax expense

The Company's tax returns are subject to examination by the GDT. Because the application of tax laws and regulations on 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 GDT.

Applicable tax rates

The Company has an obligation to pay tax on income at 20% of taxable income or a minimum tax at 1% of annual turnover, whichever is higher. The minimum tax is an annual tax and is due regardless if the Company has no taxable income.

13.1 Reconciliation between profit before income tax and taxable income/ (loss)

The reconciliation between accounting loss before income tax and estimated taxable income for the years ended 31 December 2020 and 2019 is shown below:

	For the year ended		For the year ended	
	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Loss before income tax				
Add: non-deductible expenses	(61,401)	(250,331)	(1,421,676)	(5,760,631)
Movement of deferred tax assets not recognized	170,133	693,632	406,905	1,648,779
Estimated taxable income	(108,732)	(443,301)	1,014,771	4,111,852
Income tax at applicable rate of 20% (A)	-	-	-	-
Minimum tax at rate 1% of revenue (B)	-	-	-	-
Estimated current income tax expense (higher of A or B)	10,465	42,666	8,320	33,713
	10,465	42,666	8,320	33,713

13.2 Taxation contingencies

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

These facts may create tax risks in Cambodia, substantially greater than in other countries. Management believes that tax liabilities have been adequately provided for based on its interpretation of current tax legislation. However, relevant authorities may have differing interpretations and the effects could be significant since the incorporation date of the Company.

13.3 Unrecognised deferred tax assets

Tax losses incurred in any tax year can be carried forward and available for offset against the next five years' taxable income. In accordance with the Cambodia's tax regulations, in order for the tax losses to be carried forward and utilised against taxable income for a period of five consecutive years, the following conditions should be met:

- Continuity of the business activity of the Company; and
- No unilateral tax reassessment on the tax losses is made by the GDT during the tax year.

Deferred tax assets arising from the operating losses are not recognized in the financial statements due to the uncertainty of its recoverability.

The amount of temporary difference from tax loss that can be carried forward for which no deferred tax asset has been recognized in the statement of financial position as at 31 December 2020 is USD2,103,951 (31 December 2019: USD1,995,219) as summarized below:

Originating year	Can be utilised up to	Estimated unused tax loss USD	Unutilised as at 31 December 2020 USD	Utilised up to 31 December 2020 USD					
					2020	2025	108,732	-	108,732
					2019	2024	1,014,771	-	1,014,771
2018	2023	723,809	-	723,809					
2017	2022	148,106	-	148,106					
2016	2021	108,533	-	108,533					
		2,103,951	-	2,103,951					

Originating year	Can be utilised up to	Estimated unused tax loss USD	Unutilised as at 31 December 2020 USD	Utilised up to 31 December 2020 USD					
					2019	2024	1,014,771	-	1,014,771
					2018	2023	723,809	-	723,809
2017	2022	148,106	-	148,106					
2016	2021	108,533	-	108,533					
		1,995,219	-	1,995,219					

The unused tax losses are subject to review and agreement by the GDT.

13.4 Recognized deferred tax assets –net

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2020		2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Deferred tax assets				
Deferred tax liabilities				
	82,42	333,421	77,023	313,869
	(4,120)	(16,665)	(4,847)	(19,752)
	78,308	316,756	72,176	294,117

(a). Deferred tax assets are attributable to the following:

	2020		2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
Depreciation and amortization	(4,120)	(16,665)	(4,847)	(19,752)
Allowance for bad and doubtful loan to customers	80,545	325,805	72,184	294,150
Accrued seniority payments	1,883	7,616	4,839	19,719
	78,308	316,756	72,176	294,117

(b). Movements of deferred tax assets during the year are as follow:

	2020		2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
As at 1 January	72,176	294,117	41,090	165,100
Recognised in profit or loss	6,132	25,000	31,086	125,960
Currency translation difference	-	(2,361)	-	3,057
As at 31 December	78,308	316,756	72,176	294,117

13.5 Minimum tax liability

	2020		2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
As at 1 January	970	3,953	444	1,784
Charge to profit and loss	(10,465)	(42,666)	8,320	33,713
Minimum tax paid	10,465	42,666	(7,794)	(31,581)
Currency translation difference	-	(29)	-	37
As at 31 December	970	3,924	970	3,953

14. Other liabilities

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Loan disbursement in suspense	51,060	206,538	7,606	30,994
Accrued interest payable	14,213	57,492	2,508	10,220
Accrued seniority payments	9,418	38,096	24,196	98,599
Tax payables	7,509	30,374	9,453	38,521
Rental liabilities	7,167	28,991	5,167	21,056
Other payables	13,828	55,933	23,527	95,872
	103,195	417,424	64,851	264,268

15. Borrowings

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Term Loan I				
Term Loan II	800,000	3,236,000	-	-
Term Loan III	1,370,000	5,541,650	1,370,000	5,582,750
Term Loan IV	1,500,000	6,067,500	1,500,000	6,112,500
Term Loan V	345,329	1,396,856	343,535	1,399,905
	500,000	2,022,500	500,000	2,037,500
	4,515,329	18,264,506	3,713,535	15,132,655

16. Share capital and additional capital contribution

The details of shareholding follow:

	31 December 2019			
	%of	Number of	USD	KHR'000
	Ownership	share		(Note 3.2)
Authorized, issued, outstanding and fully paid				
Mr. Yamashita Takahiro	45%	1,485,000	1,485,000	5,964,024
Mr. Bol Vanneat	45%	1,485,000	1,485,000	5,967,566
Mr. Shigeki Taguchi	10%	330,000	330,000	1,345,410
	100%	3,300,000	3,300,000	13,277,000

	31 December 2019			
	%of	Number of	USD	KHR'000
	Ownership	share		(Note 3.2)
Authorized, issued, outstanding and fully paid				
Mr. Yamashita Takahiro	51%	918,000	918,000	3,672,000
Mr. Bol Vanneat	49%	882,000	882,000	3,528,000
	100%	1,800,000	1,800,000	7,200,000

The movement of share capital follows:

	2020		2019	
		KHR'000		KHR'000
	USD	(Note 3.2)	USD	(Note 3.2)
Balance as at 1 January				
Additional capital contribution during the year	2,300,000	9,200,000	1,800,000	7,200,000
Balance as at 31 December	1,000,000	4,077,000	500,000	2,000,000
	3,300,000	13,277,000	2,300,000	9,200,000

17. Regulatory Reserve

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Regulatory reserve	7,636	30,681	7,636	30,681

Movement of regulatory reserves during the year are as follows:

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
At the beginning of the year:	7,636	30,681	7,636	30,681
Add: transfer from retained earnings to reserve pertaining to impairment during the year	-	-	-	-
At the end of year	7,636	30,681	7,636	30,681

Transfer from retained earnings to reserve pertaining to impairment during the year when the provision under NBC requirement is higher than CIFRS for SMEs:

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Impairment on credit facilities required by the NBC:				
Deposits and placements with other banks	2,143	8,666	4,321	17,608
Loans to customers	264,502	1,069,911	263,430	1,073,475
Total impairment required by the NBC	266,645	1,078,577	267,751	1,091,083
Impairment loss on financial assets under CIFRS for SMEs	402,723	1,629,015	434,999	1,772,620
	-	-	-	-

18. Interest Income

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Loans to customers	735,227	2,997,520	656,487	2,660,085
Deposits and placements with other banks	368	1,500	28,562	115,733
Others	-	-	65,533	265,540
	735,595	2,999,020	750,582	3,041,358

19. Interest Expense

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Interest on borrowings	185,147	754,844	385,874	1,563,561

20. Other Operating Income

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Recovery on written off loans				
Gain on disposals of property and equipment				
Penalty income	198,180	807,980	-	-
Others	15,164	61,824	2,045	8,286
	-	-	54,218	219,691
	229	933	62	252
	213,573	870,737	56,325	228,229

21. General and Administrative Expense

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Salaries	540,732	2,204,564	483,974	1,961,063
Depreciation and amortization	54,098	220,558	61,494	249,174
Rental fee	53,031	216,207	47,042	190,614
Seniority payment	10,675	43,522	46,542	188,588
Travel	10,021	40,856	17,020	68,965
Professional fees	25,876	105,496	9,040	36,630
Utilities	7,549	30,777	7,896	31,995
Communication	7,618	31,059	7,329	29,697
Stationary	7,691	31,356	7,217	29,243
License fee	5,911	24,099	6,373	25,823
Meal and entertainment	8,897	36,273	6,366	25,795
Membership and service fees	3,430	13,984	3,415	13,838
Others	48,114	196,162	16,734	67,806
	783,573	3,194,627	720,442	2,919,231

22. Cash and Cash Equivalent

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Cash on hand	93,589	378,568	49,956	203,571
Deposits and placements with NBC	6,721	27,186	6,372	25,966
Deposits and placements with other banks	214,252	866,649	432,097	1,760,795
	314,562	1,272,403	488,425	1,990,332

23. Lease commitments

The Company entered into non-cancellable lease agreements for its office space resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rates. At period-end, the Company has outstanding commitments under non-cancellable operating leases that fall due, as follows:

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Within one year	50,300	203,464	42,800	174,410
From one year to five years	72,000	291,240	216,000	880,200
	122,300	494,704	258,800	1,054,610

24. Financial assets and financial liabilities

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Financial assets measured at				
amortised cost less impairment	93,589	378,568	49,956	203,571
Cash on hand	171,721	694,611	121,372	494,591
Deposits and placements with NBC	214,252	866,649	432,097	1,760,795
Deposits and placements with other banks	5,259,695	21,275,466	3,336,883	13,597,798
Loans to customers, net	5,739,257	23,215,294	3,940,308	16,056,755

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Financial liabilities measured at amortised cost				
Trade and other payables*	95,686	387,050	55,398	225,747
Borrowings	4,515,329	18,264,506	3,713,535	15,132,655
	4,611,015	18,651,556	3,768,933	15,358,402

25. Financial risk management

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

25.1 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 and balances with other banks. 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, credit approval process and procedures implemented to mitigate credit risks and to ensure compliance with the NBC guidelines.

i. Credit risk measurement

The Company assesses the probability of default of individual counterparties by focusing on the 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 manages limits and controls the concentration of credit risk whenever it is identified.

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to individual customers. Loans are also provided to those small business borrowers that are deemed profitable.

The Board of Directors and Management believe that the Company's maximum exposure to credit risk is limited to the carrying amount of loans less provisions for doubtful loans and balances with other banks

iii. Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provision in accordance with NBC's Prakas no. B7-017-344 and Circular no. B7-018-001 on Credit Risk Grading and Impairment Provisioning.

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

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
Loans to customers-gross				
Neither past due nor impaired	4,977,397	20,133,571	2,696,689	10,989,007
Past due but not impaired	361,559	1,462,506	635,253	2,588,656
Individually impaired	284,111	1,149,229	472,011	1,923,445
	5,623,067	22,745,306	3,803,953	15,501,108

- **Neither past due nor impaired**

Loans not past due are not considered impaired, unless other information is available to indicate the contrary.

- **Past due but not impaired**

Loans less than 31 days past due and 90 days past due form short-term loans and long-term loans, respectively, and are not considered impaired, unless other information is available to indicate the contrary.

- **Impaired**

In accordance with Prakas no. B7-017-344 dated on 1 December 2017 on the classification and provisioning for loan losses and Circular no. B7-018-001 dated on 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Impairment Provisioning, loans and advances more than 30 days and 89 days past due for short-term loans and long-term loans, respectively, are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

In compliance with the guidelines issued by the NBC, a minimum level of specific provision and general provision is made depending on the concerned loan classification, unless other information is available to substantiate the repayment capacity of the counterparty.

Restructuring activities include extended payment arrangement, modification and deferral of payment. Following restructuring, the loan is still kept in its current classification.

According to the new Prakas issued by NBC no. B7-017-344 on Credit Risk Grading and Impairment Provisioning in Article 81, once the loan is restructured it remains in the same category regardless of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within 6 instalments periods and within a period of not less than 6 months, respectively.

25.2 Operational risk

Operational risks 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 the Management and oversight provided by the Board of Directors.

The operational risk management entails 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 annually to address the operational risks of its micro-finance business.

25.3 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.

The Company is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Company has maintained a minimum foreign currency-based accounts, hence, it has limited exposure to foreign currency exchange risk.

Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result to changes in the level of interest rate and shifts in the composition of the assets and liabilities. The exposure to interest rate risk relates primarily to its loans, bank deposits and borrowings.

Since the interest rate is fixed and are not subject to change with the market rates, the Company does not use derivative financial instruments to hedge such risk.

25.4 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 to all liquidity requirements, the Management of the Company closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans is monitored and liquidity requirements are adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as at when they fall due.

The following table provides an analysis of the financial assets and liabilities of the Company into relevant maturity groupings, including any instalments due.

25.5 Capital management

Regulatory capital

The Company's lead regulator, the NBC, sets and monitors capital requirements for the Company and to the banking sector 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. The Company recognises 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 complied with all externally imposed capital requirements throughout the year.

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.

26. Post-reporting date events

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



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