



BAMBOO FINANCE PLC.
ANNUAL REPORT
2019

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Vision Our Company

Bamboo Finance Plc., will shape the Bright future for Cambodia Society as a result of our contribution as a player in the National Financial Field to our customer.

Mission

Bamboo Finance Plc., will set a goal to be an Excellent Company which is always the best services provider in the National Financial Field, not by its size but it's Excellent of Operation.



Message from Chief Executive Officer

Mr. Keo Sokha, CEO

In fiscal year 2019, Bamboo Finance Plc., delivered exceptional value to clients through our work in Excellent Services. We responded to changes in the marketplace by embracing new strategies for this fiscal year, we delivered a profession-services that improves client's quality and efficiency with consistently high-quality results through more efficient and effective ways of working with clients. Quality is our foundation, and over the past year we proved our dedication to this belief. After several years of improving quality reports from our Operations, our latest results reflect operations quality amongst the good in the business.

Under our new 2019-2022 Strategic Plan, we are committed to the new Strategic Plan sets out our strategic priorities for the next three years and contains concrete and meaningful initiatives that focus on the goal of promoting and fostering a and healthy MFI that protects and serves our clients.

In all of this, Bamboo's sees the opportunity to build deeper and more personal relationships with those we serve. We also see new and better ways to run our business, empower our colleagues and compete in the market. The Financial Services of the future is full of promise

and potential. And we are dedicating significant resources to create it. Bamboos' is not only responding to the change; we are leading it.

2019 marked another year of record reported earnings 5,716,322 thousand million Riel. Our firm is strong, growing and profitable. Our focused growth strategy executed by the best workforce in the business delivered results. We expanded relationships with existing compliant clients and won exciting new work to serve a wide range of complex, national businesses. Overall revenue for the fiscal year increased by 2,814,320 to 5,716,322 thousand million Riel, a record best result for our firm.

Going forward, we are realizing our vision to be the most admired professional financial services firm. We are working diligently to strengthen our business and deliver results for our clients and our firm. We are building our team with an intense focus on our values and a high-performing culture, because getting results the right way matters. We are confident in our future and enthusiastically embrace the changes and innovations that will redefine our profession in the years to come. As we engage in this important work together, I welcome your thoughts.

Looking ahead, the financial services industry will be further shaped by rapid innovation and disruption. We must be prepared for increasingly sophisticated security and fraud risks, as well as evolving regulatory landscapes. At the same time, consumer expectations will continue to rise, just as competition from traditional and non-traditional players intensifies.

In closing, I would like to acknowledge the Board of Directors for their continued stewardship and guidance throughout the past year. I would also like to thank our dedicated professional management and hardworking staff for their continued support and look forward to working with you as we advance the initiatives set out in our new Strategic Plan.

A handwritten signature in black ink, appearing to read 'Keo Sokha', with a horizontal line underneath it.

Keo Sokha
Chief Executive Officer,
BAMBOO FINANCE PLC.

OUR PRODUCTIONS

Motor Loan



Short Term Loan



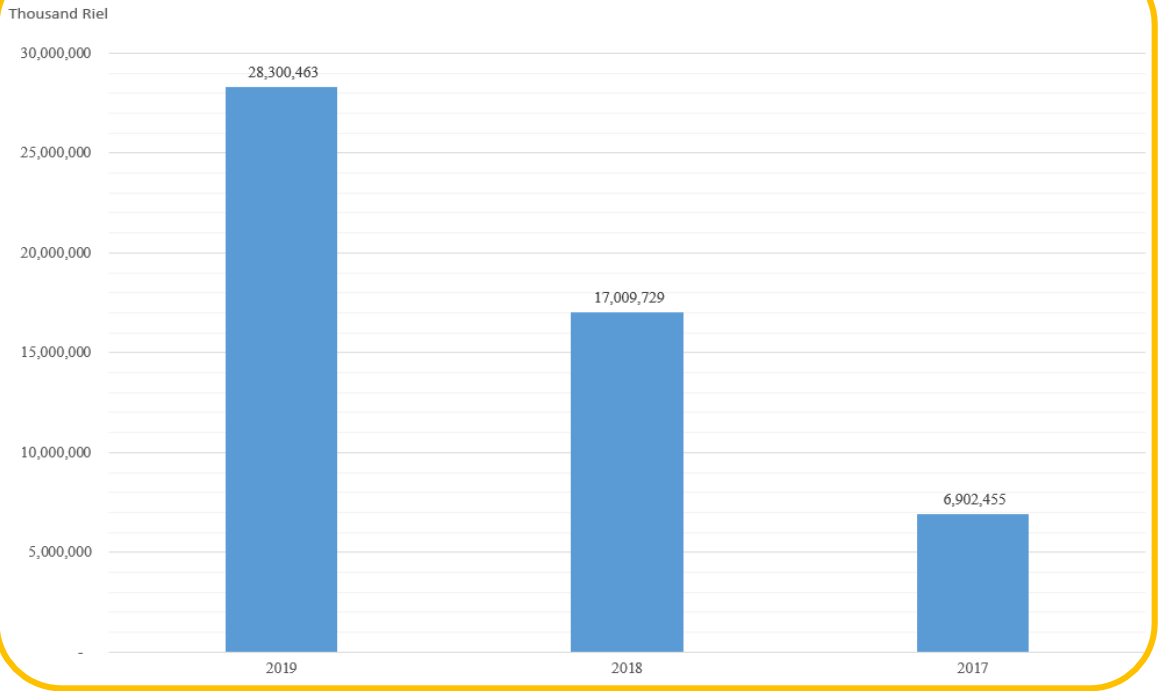
Personal Loan



121 Loan Product



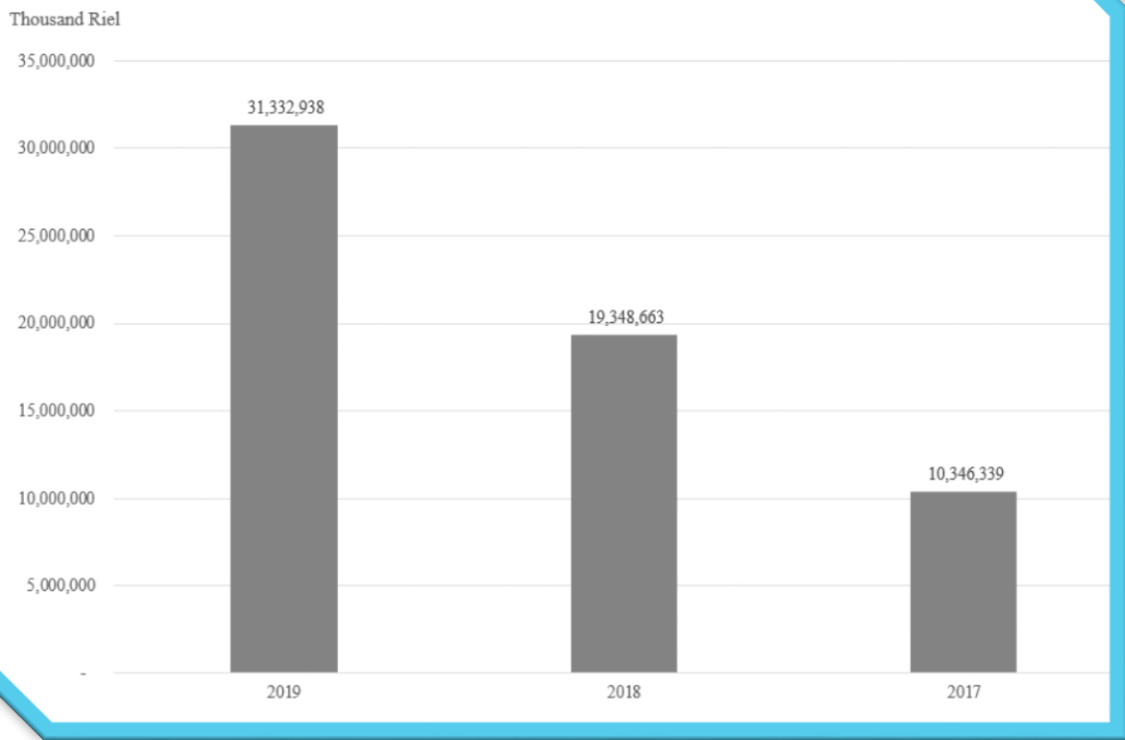
TOTAL LOAN TO CUSTOMERS



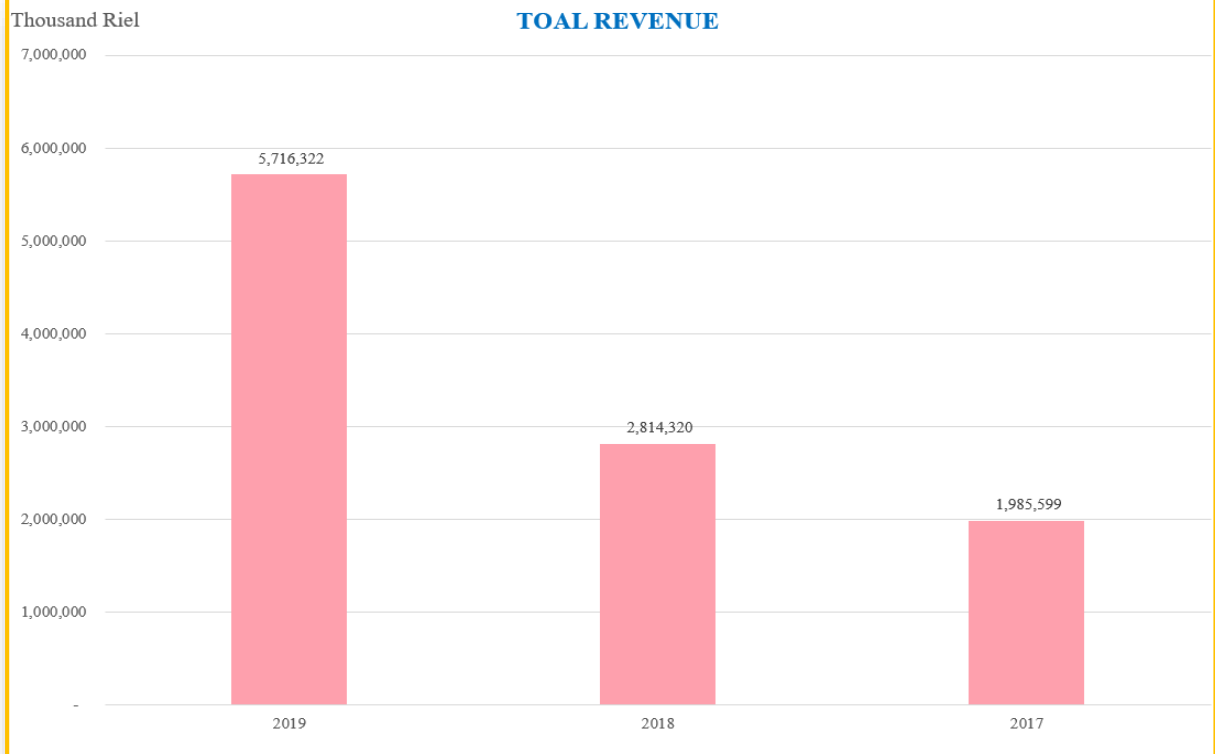
NUMBER OF CLIENTS



TOTAL ASSETS



TOAL REVENUE



BAMBOO FINANCE PLC OPERATION NETWORK

TaKhmau Branch



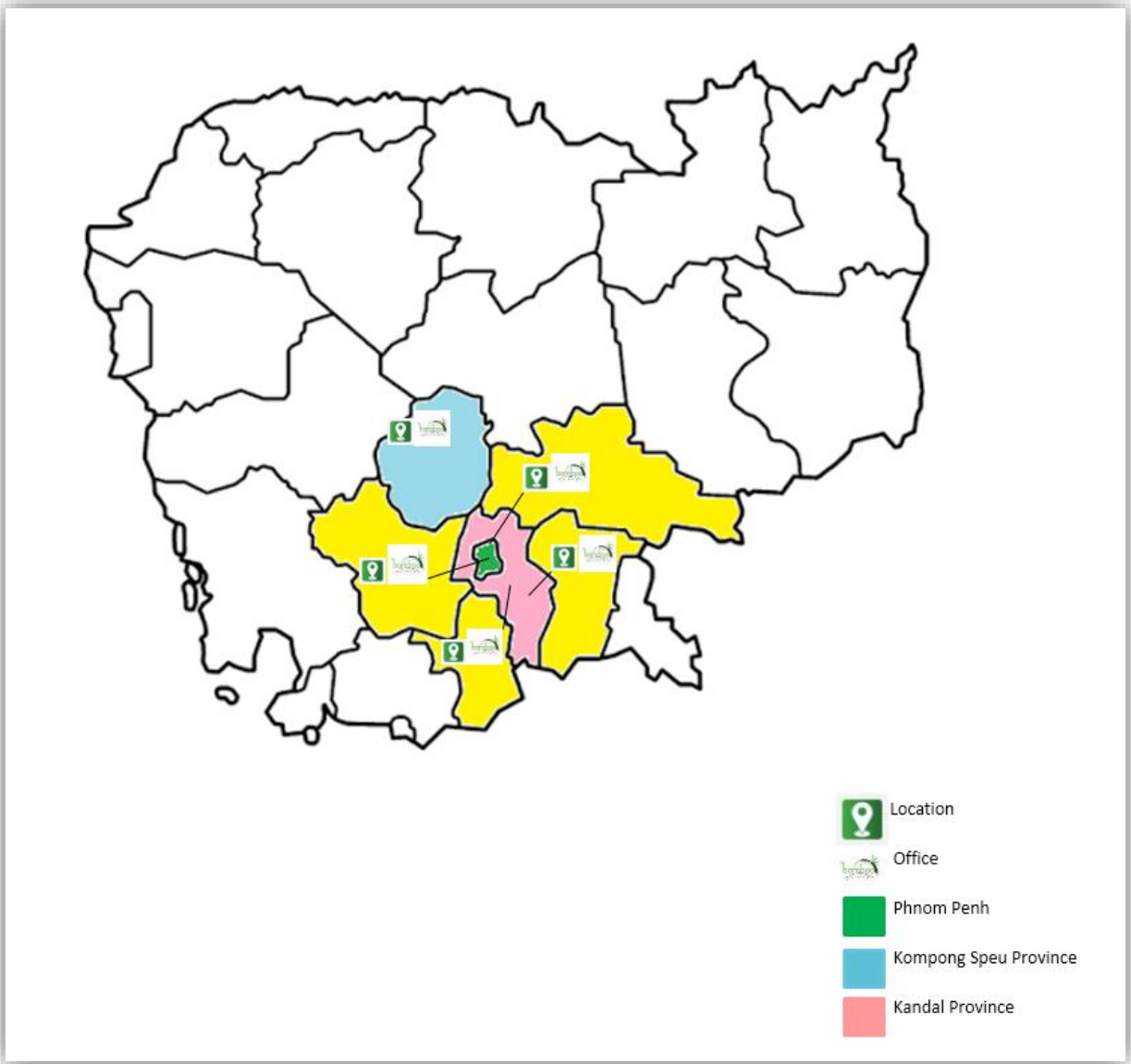
Operation Unit



Kampong Tralach Branch



Angsnoul Branch



STAFF ACTIVITIES AND TRAINING



THE TRAINING CLASS AT HEADQUARTER



THE TRAINING HOW TO IMPROVE STAFF

KHOS SDACH TRIP & WORKSHOP IN YEAR 2019

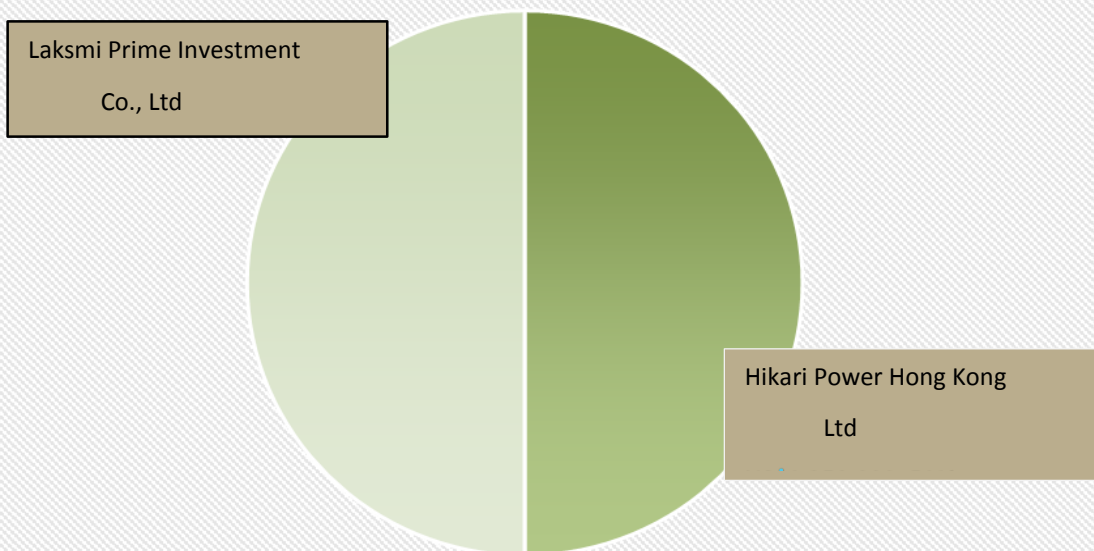


THE STAFF ACTIVITIES ON TRIP TO KHOS SDACH

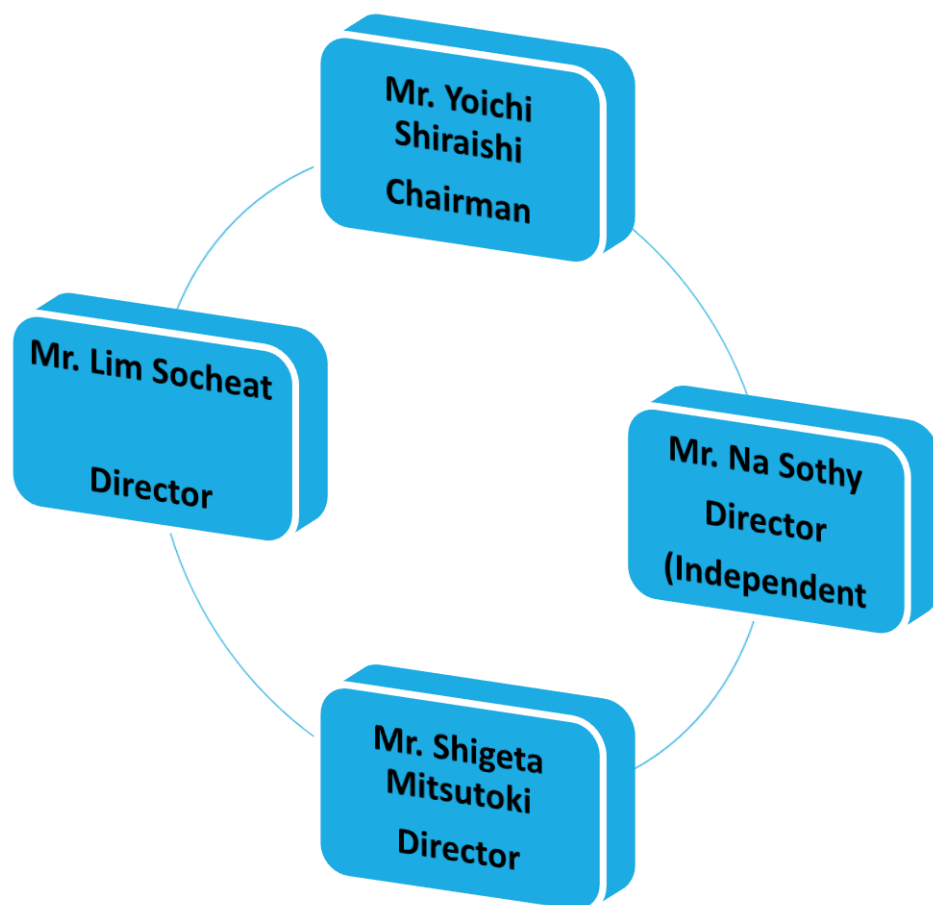




SHAREHOLDERS



BOARD OF DIRECTORS



MR. LIM SOCHEAT, BOARD OF DIRECTOR



Mr. Lim Socheat is the Board of Directors of Bamboo Finance Plc., the CEO of Laksmi Prime Investment Co., Ltd., and CEO of PCG & Partners, one of Cambodia's financial consulting firms, he also Managing Partner for NAS Co., Ltd. Prior to joining PCG & Partners and NAS Co., Ltd, he has dedicated over 10 years as the Assistant Manager in Morision Kak & Associates, whom is a member of Morision International. Finally, he has spent over 2 years as the Financial Controller at Leopard Capital (Cambodia) Ltd.

He has elected to be a Members of Cambodian Chamber of Commerce (CCC), Vice President of Young Entrepreneur Association of Cambodia (YEAC), and Board Members of Cambodia Investors Club (CIC), and other multiple companies. Besides managing business entities, he has contributed most of his precious time in social works.

Mr. Lim Socheat holds Qualification CPA from CPA Australia Ltd., Qualification ACCA from The Association of Chartered Accountants, England, and Master of Science from University of London, England. Socheat earned a Bachelor Degree in Economics from Royal University of Law and Economic (Cambodia).

Executive Committee



KEO SOKHA, CHIEF EXECUTIVE OFFICER

Mr. Keo Sokha is Chief Executive Officer (CEO) of Bamboo Finance Plc., He began Bamboo career in 2016 as Director of Finance and he was also Director of Finance of Laksmi Prime Investment “Bamboo’s parent company”. In his current position he leads the Executive Management Team which is responsible to enhance overall strategies planning and running the day to day business.

Mr. Sokha has previously experience in banking sector, his key role across a number of various major positions and responsibilities ranging from as Accountant, Chief of Accountant, Head of Budgeting & Control unit. In addition, he also served as Head of International Financial Accounting unit, and Assistant Head of Finance Division.

Mr. Keo Sokha holds a Master Degree major in Finance Management in 2008, earned Bachelor Degree in Economics Major Banking and Finance in 2003, and Diploma in Accounting “Diplôme Universitaire Du Comptabilité” in 2000 from Royal University of Law and Economics. He has attended many of training courses and workshops which related to financial management, Cambodia Accounting Standards (CAS) and Cambodia International Accounting Standards (CIAS).



CHUON CHANDARA, OPERATIONS DIRECTOR

Dara has joined Bamboo Finance Plc, as a Branch Manager since May 15, 2015. He was promoted to Director of Operations in August, 2016 to organize and oversee the daily operations of the company to ensure that the business is well-coordinated and productive by managing its procedures and coaching its people.

Prior to joining Bamboo, Mr. Dara has over 15 years of experience in financial services, start as Credit Officer, Chief Credit Officer, Post Service Manager at TPC (LOLC) from 2004 to 2012, and a Phnom Penh Branch Manager at Niron Micro-finance from 2013 to 2015.

Dara hold a Bachelor Degree of Management from National University of Management in 2011, and had attended many other training courses such as English Literature, Computer Science, Credit Management, Risk Credit Management, leadership skill and Administration, which related to financial management



PHENG CHAN SARIM, ADMINISTRATION & HUMAN RESOURCE DIRECTOR

Sarim was a Chief Operating Officer of CCS BUSINESS GROUP, in Hotel and Retail business in Cambodia during 2014-2016. In 2007-2011 Sarim was a Director of Product Development and Training of Nautisco Seafood manufacturing LTD, in Cambodia. Prior to joining Nautisco, Sarim spent over 12 years in multi-billion dollars public listed international telecom corporations in Canada and USA at Newbridge Networks Corporation, and Alcatel-Lucent Technology Corporation.

During the course of his employment in 1995-2007 at these firms, Sarim held various management positions with roles and responsibilities ranging from QAA (Quality Assurance Auditor), System Automating Testing. In 1992-1994 Sarim held a position as a Programmer Analysis at CIDA (Canadian Inter-national Development Agency) in Canada. At 1980-1984 Sarim held a position as a Manager at UNHCR (United Nations High Commissioner for Refugees) in Thailand.

Sarim holds a Bachelor Degree of Business Administration from Canada University, Diploma of Accounting, and Programmer and System Analysis. He joined Bamboo Finance Plc., as Director of Administration & Human Resource since July 2016, presently he has served as Director Human Resource and Administration. He was appointed to Director of Administration in January 1st, 2020.



OEURN SILEN, HEAD OF INTERNAL AUDIT

Mr. Oeurn Silen has joined Bamboo Finance Plc, as Internal Audit Manager since September 2016. He was promoted to Head of Internal Audit in January 2018 to ensure Internal Audit is closely aligned with institution best practices in executing the duties across the Bamboo Finance business and financial operations. Works to ensure roles, responsibilities, and results are efficiently coordinated and collectively optimizing the effectiveness of risk management, internal control and governance of the company.

Prior to joining Bamboo Finance, Mr. Oeurn Silen had experiences with ACLEDA Bank Plc, for more than 13 years in various positions related to accounting, risk management and internal audit function.

Mr. Oeurn Silen holds Master Degree in Financial Management from Royal University of Laws and Economics in 2012. A Bachelor Degree in Enterprise Management in 2003, A Diploma of Accounting in 2000. He has completed many training courses related to Accounting, Administration, Law, Marketing, Taxation and Information Technology.



SANG HONG MOV, CREDIT CONSULTANT

Mr. Sang Hong Mov joined Bamboo Finance Plc., ("Bamboo") in January 2017 as Credit Consultant. He was appointed Credit Consultant in June 2018. He is responsible for overall strategies planning and running the day-to-day business of developing and implementing marketing and communication plans and strategies and credit controlling including public relations, media relations, on-line giving, digital communications, key messaging, advertising and brand experience. Mr. Hongmov is a member of Bamboo's Executive Management Committee since December 26th, 2017.

After his graduation from University he joined ACLEDA Bank Plc. He brings over 10 years of experiences related to finance sector. During the course of his employment at ALEDA Bank Plc., Mr. Hongmov has work various position, as Credit-Officer, Chief Credit Officer and Staff of Trade Finance Analysis.

He Hold Master Degree of Finance and Banking from Build Bright University in 2009. He also obtained Bachelor Degree of Computer Science and Engineering from Royal University of Phnom Penh in 2003



KAN KANIKA, FINANCE MANAGER

Kanika joined Bamboo Finance Plc., (“Bamboo”) in March 2017 as Chief of Accountant. She was appointed Finance Manager in June 2018. As Finance Manager, Ms. Kanika is responsible for the overall strategies planning and running the day-to-day financial Accounting and treasury of the business as well as implementation of finance policies. In addition, Ms. Kanika is a member of Bamboo’s Executive Management Committee since December 26, 2017.

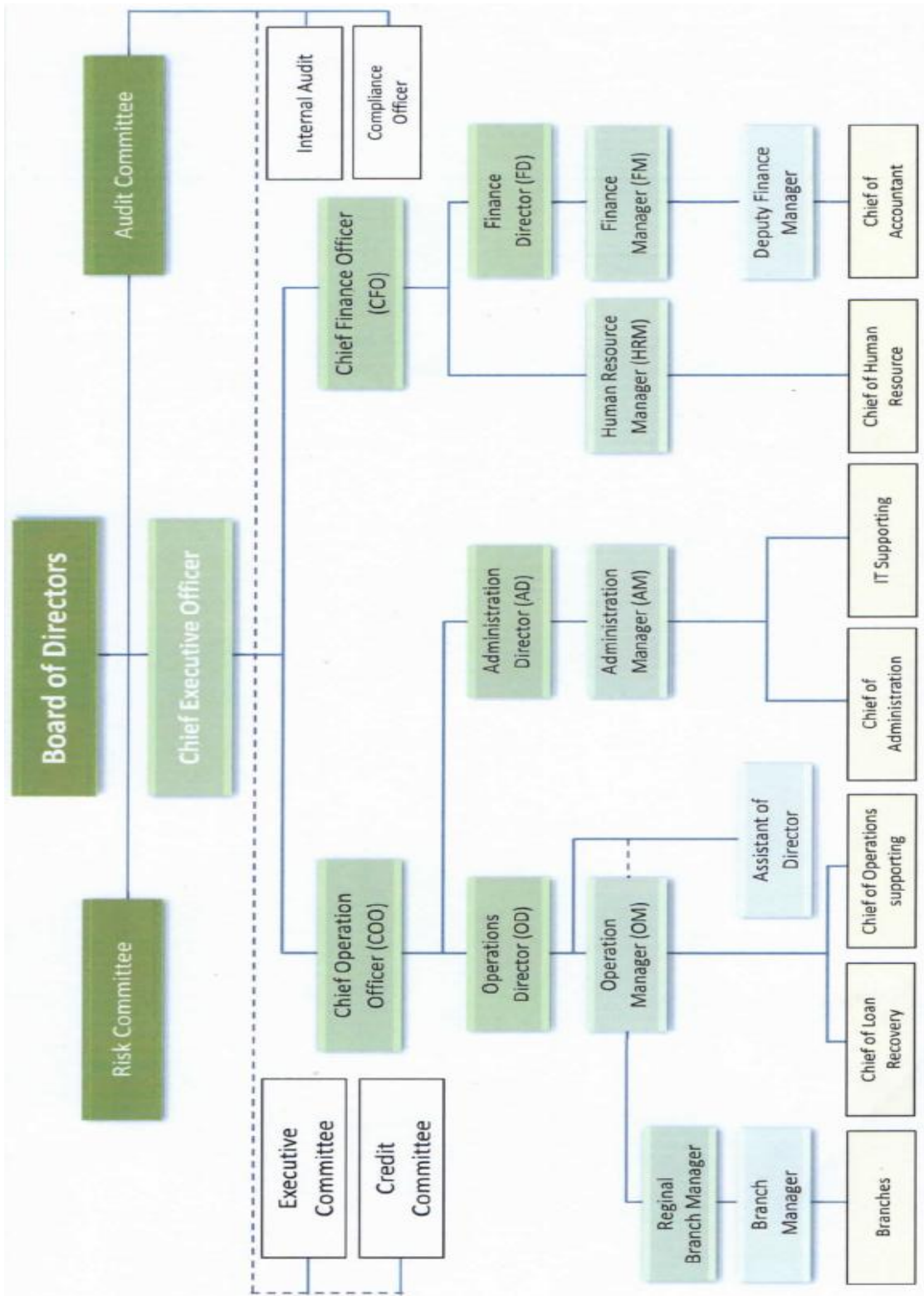
Ms. Kan Kanika brings over 10 years of experiences related to finance sector. During the course of her employment at ALEDA Bank Plc., Kanika has work various position, as Accountant, Finance Officer and Senior Finance Officer. Ms. Kanika is a graduated of Master degree of Finance from National University of Management in 2011, and earned Bachelor Degree in Accounting Major from Asia Euro University in Phnom Penh in 2008.



Left to Right:

- **SANG HONG MOV** : Credit consultant
- **CHUON CHANDARA** : Operations Director
- **KEO SOKHA** : Chief Executive Officer
- **KAN KANIKA** : Finance Manager
- **PHENG CHANSARIM** : Human Resource & Admin Director
- **OEURN SILEN** : Head of Internal Audit

ORGANIZATIONAL CHARTS



REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Bamboo Finance Plc. (“the Company”) presents its report and the Company’s financial statements as at 31 December 2018 and for the year ended.

THE COMPANY

Bamboo Finance Plc. (“the Company”) is a public limited company incorporated in Cambodia under registration number Co. 0419 E/2015 issued by the Ministry of Commerce on 29 January 2015. The Company obtained its license from the National B

ank of Cambodia (“NBC”) to operate as a Microfinance institution on 7 May 2015.

The Company’s corporate focus is on providing reliable and affordable access to financial services to micro-entrepreneurs, Small, and Medium-sized financial credits sector which has been under served by financial institutions.

The Company’s head office is located at No. 34, Veng Sreng Street, (Block-F) Vattanac Industrial Park 1, Trapeang Thloeng 1 Village, Sangkat Chaom Chau 1, Khan Pursen Chey, Phnom Penh, Kingdom of Cambodia.

FINANCIAL PERFORMANCE

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

PAID-UP CAPITAL

There were no movements in share capital of the Company during the year.

DIVIDEND

No dividend was declared or paid during the year and up to the date of these financial statements.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL LOANS

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

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

ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- No charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- No contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of business.

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the Board of Directors is not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company, which would render any amount stated in the financial statements misleading.

ITEMS OF UNUSUAL NATURE

The results of the operations of the Company for the financial year were not, in the opinion of the Board of Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Board of directors, to affect substantially the results of the operations of the Company for the current financial year in which this report is made.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred after the balance sheet date requiring disclosure or adjustment other than those already disclosed in the accompanying notes to the financial statements.

THE BOARD OF DIRECTORS

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

Mr. Yoichi Shiraishi	Chairman
Mr. Lim Socheat	Director
Mr. Mitsutoki Shigeta	Director
Mr. Na Sothy	Independent director

AUDITOR

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

DIRECTORS' INTERESTS

No member of the Board of Directors holds a controlling interest in the equity of the Company.

DIRECTORS' BENEFITS

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

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

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

The Board of Directors is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and cash flows for the year then ended. The Board of Directors oversees preparation of these financial statements by management who is required to:

- Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- Comply with Cambodian Accounting Standards ("CASS"), and relevant regulations and guidelines issued by the NBC or, if there has been any departure in the interest of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- Maintain adequate accounting records and an effective system of internal controls;
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- Set overall policies for the Company, ratify all decisions and actions that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the financial statements.

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

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS (continued)

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

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with CIFRSs for SMEs.

On behalf of the Board of Directors



Lim Socheat
Director

Phnom Penh, Kingdom of Cambodia

30 June 2020

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BAMBOO FINANCE PLC.

Opinion

We have audited the accompanying financial statements of Bamboo Finance Plc. ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities ("CIFRS for SMEs").

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the sub-decree on the Code of Ethics for Professional Accountants and Auditors promulgated by the Royal Government of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with CASs and relevant regulations and guidelines issued by the NBC, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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

Phnom Penh, Kingdom of Cambodia

30 June 2020

The background of the slide is a lush green scene featuring bamboo stalks and grass. The bamboo stalks are vertical and segmented, with small green leaves sprouting from them. The grass at the bottom is dense and vibrant green. The overall lighting is bright and natural, with some soft white starburst effects scattered across the scene. The text 'Financial REPORT' is centered in the middle of the image.

Financial
REPORT

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	2019		2018	
		US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
<i>(As restated - Note 3)</i>					
ASSETS					
Cash on hand	4	62,855	256,134	18,675	75,036
Balances with the National Bank of Cambodia ("NBC")	5	131,723	536,771	130,956	526,181
Balances with other banks	6	396,885	1,617,306	317,886	1,277,266
Loans to customers - net	7	6,944,899	28,300,463	4,233,382	17,009,729
Other assets	8	110,472	450,172	81,392	327,033
Property and equipment	9	30,683	125,033	20,199	81,160
Software	10	11,548	47,058	13,006	52,258
TOTAL ASSETS		7,689,065	31,332,937	4,815,496	19,348,663
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Income tax payable	11.1	1,430	5,827	828	3,327
Borrowings from shareholders	12	5,329,655	21,718,344	2,798,671	11,245,060
Other liabilities	13	146,761	598,051	81,429	327,182
Total liabilities		5,477,846	22,322,222	2,880,928	11,575,569
Shareholders' equity					
Share capital	14	2,500,000	10,000,000	2,500,000	10,000,000
Retained earnings		(370,311)	(1,493,038)	(631,710)	(2,551,876)
Regulatory reserves	15	81,530	328,457	66,278	266,305
Exchange difference		-	175,296	-	58,665
Total shareholders' equity		2,211,219	9,010,715	1,934,568	7,773,094
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,689,065	31,332,937	4,815,496	19,348,663

The attached notes 1 to 27 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year end 31 December 2019

	Notes	For the year ended 31 December 2019		For the year ended 31 December 2018	
		US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
					(As restated - Note 3)
Interest income	16	1,393,409	5,646,093	671,698	2,717,018
Interest expense	17	(465,052)	(1,884,391)	(208,923)	(845,094)
Net interest income		928,357	3,761,702	462,775	1,871,924
Other income	18	17,332	70,229	24,055	97,302
Operating income		945,689	3,831,931	486,830	1,969,226
Personnel expenses	19	(411,833)	(1,668,747)	(243,999)	(986,976)
(Provision for) Recoveries on impairment losses on loans to customers	7	(33,198)	(134,518)	21,219	85,831
Depreciation and amortization	20	(13,348)	(54,086)	(14,974)	(60,570)
Other operating expenses	21	(196,405)	(795,833)	(142,473)	(576,303)
Profit before income tax		290,905	1,178,747	106,603	431,208
Income tax expense	11.1	(14,254)	(57,757)	(7,193)	(29,096)
Net profit for the year		276,651	1,120,990	99,410	402,112
Other comprehensive income item:					
Exchange translation differences		-	116,631	-	8,699
Total comprehensive income		276,651	1,237,621	99,410	410,811

The attached notes 1 to 27 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year end 31 December 2019

	Share capital		Accumulated losses		Regulatory reserve		Cumulative exchange translation differences		Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000 (Note 2)	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
As at 1 January 2019 (as restated - Note 3)	2,500,000	(631,710)	66,278	58,665	1,934,568	7,773,094				
Net income for the year	-	276,651	-	-	276,651	1,120,990				
Transfer to regulatory reserve	-	(15,252)	15,252	-	-	-				
Exchange translation differences	-	-	-	116,631	-	116,631				
As at 31 December 2019	2,500,000	(370,311)	81,530	175,296	2,211,219	9,010,715				
As at 1 January 2018, as previously reported	1,250,000	(667,679)	-	-	582,321	2,312,317				
Effect of transition adjustment (Note 3)	-	2,837	-	49,966	2,837	49,966				
As at 1 January 2018 (as restated - Note 3)	1,250,000	(664,842)	-	49,966	585,158	2,362,283				
Share capital contribution	1,250,000	-	-	-	1,250,000	5,000,000				
Net income for the year (as restated - Note 3)	-	99,410	-	-	99,410	402,112				
Transfer to regulatory reserve	-	(66,278)	66,278	-	-	-				
Exchange translation differences	-	-	-	8,699	-	8,699				
As at 31 December 2018 (as restated - Note 3)	2,500,000	(631,710)	66,278	58,665	1,934,568	7,773,094				

STATEMENT OF CASH FLOWS

For the year end 31 December 2019

Notes	For the year ended 31 December 2019		For the year ended 31 December 2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2) (As restated - Note 3)
Operating activities				
Profit before income tax	290,905	1,178,747	106,603	431,208
<i>Adjustments for:</i>				
Provision for (reversal of) impairment losses on loans to customers	7	33,198	134,518	(21,219)
Depreciation and amortization	20	13,348	54,086	14,974
Provision on impairment loss on other assets	8	2,273	9,212	5,106
Write-off of property and equipment	9	1,856	7,521	1,732
		341,580	1,384,084	107,196
				433,605
<i>Movements in operating assets and liabilities:</i>				
Balance with the NBC	-	-	(62,500)	(252,813)
Loans to customers	(2,744,715)	(11,121,585)	(2,502,365)	(10,122,066)
Other assets	(31,353)	(127,044)	(25,856)	(104,586)
Other liabilities	65,340	264,757	(580,778)	(2,349,246)
		(2,369,148)	(9,599,788)	(3,064,303)
				(12,395,106)
Income tax paid	11.1	(13,652)	(55,318)	(6,666)
				(26,964)
Net cash used in operating activities		(2,382,800)	(9,655,106)	(3,070,969)
				(12,422,070)
Investing activities				
Acquisition of property and equipment	9	(24,238)	(98,212)	(4,676)
Acquisition of software	10	-	-	(1,500)
Net cash used in investing activities		(24,238)	(98,212)	(6,176)
				(24,982)
Financing activities				
Proceeds of borrowings from shareholders	12	2,650,000	10,737,800	4,039,500
Repayment of borrowings to shareholders		(119,016)	(482,254)	(2,556,040)
Proceeds from issuance of share capital	14	-	-	1,250,000
				5,000,000
Net cash generated from financing activities		2,530,984	10,255,546	2,733,460
				11,000,595
Net increase (decrease) in cash		123,946	502,228	(343,685)
Cash at beginning of year		342,517	1,395,757	686,202
Exchange translation differences		-	2,852	-
				65,530
Cash at end of year		466,463	1,900,837	342,517
				1,376,233

The attached notes 1 to 27 form part of these financial statement

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

1. CORPORATE INFORMATION

Bamboo Finance Plc. (“the Company”) is a public limited company incorporated in Cambodia under registration number Co. 0419 E/2015 issued by the Ministry of Commerce on 29 January 2015. The Company obtained its license from the National Bank of Cambodia (“NBC”) to operate as a microfinance institution on 7 May 2015.

The Company’s corporate focus is on providing reliable and affordable access to financial services to micro-entrepreneurs, Small, and Medium-sized financial credits sector which has been under served by financial institutions.

The Company’s head office is located at No. 34, Veng Sreng Street, (Block-F) Vattanac Industrial Park 1, Trapeang Thloeng 1 Village, Sangkat Chaom Chau 1, Khan Pursen Chey, Phnom Penh, Kingdom of Cambodia.

Employees

As at 31 December 2019, the Company had a total of 65 employees (2018: 28 employees).

Approval of the financial statements

The financial statements were authorized for issue by the Board of Directors on 30 June 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements, expressed in United States dollar (“US\$”), have been prepared on a historical cost basis and are in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities (“CIFRS for SMEs”).

The financial statements for the year ended 31 December 2019 are the Company’s first financial statements that comply with the CIFRS for SMEs. The Company’s date of transition to the CIFRS for SMEs is 1 January 2018. The financial statements in prior years and up to the year ended 31 December 2018 were prepared in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the NBC, collectively referred to as previous generally accepted accounting principles (“GAAP”).

Accordingly, the Company prepared financial statements that comply with CIFRS for SMEs applicable as at 31 December 2019, together with the corresponding figures information for the year ended 31 December 2018, as described in the summary of significant accounting policies. In preparing the financial statements, the Company’s opening statement of financial position was prepared as at 1 January 2018, the Company’s date of transition to CIFRS for SMEs.

The transition to the CIFRS for SMEs has resulted in a number of changes in the Company’s accounting policies compared to those used when applying the previous GAAP. Note 3 to the financial statements describes the differences between the equity and profit or loss presented under previous GAAP and the newly presented amounts under CIFRS for SMEs as at and for the year ended at 31 December 2018, as well as the equity presented in the opening statement of financial position as at 1 January 2018.

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

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

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

	2019	2018
Closing rate	4,075	4,018
Average rate	4,052	4,045

Fiscal year

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

Functional and presentation currency and foreign exchange

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

Transaction in currencies other than US\$ are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such as transactions and from the translation at year-end exchange rate monetary assets and liabilities denominated in currencies other than US\$ are recognized in the statement of comprehensive income.

Financial instruments

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

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

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

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the Company shall reverse the previously recognized impairment loss either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognized. The Company shall recognize the amount of the reversal in profit or loss immediately.

Derecognition of financial assets and financial liabilities

Financial assets

The Company shall derecognize a financial asset only when:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and financial liabilities (continued)

Financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

Cash

For cash flow statement purposes, cash include cash on hand, current account with NBC, and balances with the other banks.

Balances with the other banks

Balances with the other banks are carried at cost.

Capital guarantee

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

Loans to customers

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

Impairment

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans to customers (continued)

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

Reversal of impairment

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the entity shall reverse the previously recognized impairment loss either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognized. The entity shall recognize the amount of the reversal in profit or loss immediately.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

Regulatory reserve

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

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

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

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

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

Other assets

Other assets are carried at anticipated realizable values. An estimate is made for impairment loss based on a review of all outstanding amounts as at the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings from shareholders

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

Other liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

Property and equipment

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

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

Subsequent expenditure relating to an item of property and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognized as an expense in the year in which it is incurred.

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

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

Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of these assets, which are as follows:

	<i>Percentages</i>
Leasehold improvements	25% or term of lease, which ever is shorter
Furniture and fixtures	25%
Computer equipment	50%
Office equipment	25%
Motor vehicles	25%

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Software

Software is stated at cost less accumulated amortization and accumulated impairment losses, if any. It is amortized on a straight-line basis at the rate of 20% per annum. If there is an indication that there has been a significant change in amortization rate, useful life or residual value of the asset, the amortization is revised prospectively to reflect the new expectations.

Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

Calculation of recoverable amount

The recoverable amount of the Company's long-term assets is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

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

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

Leases

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

Company as a lessee

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Corporate income tax

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

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

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

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

The net carrying amount of deferred tax assets is reviewed at each reporting date and adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognized in profit or loss. Unrecognized deferred tax assets are reassessed at each reporting date and

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

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

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

Provisions

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

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

Effective interest rate

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

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

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

Recognition of income or expense

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

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

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

Related parties

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)

Estimates

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

Estimated useful lives of property and equipment and software

The useful life of each item of property and equipment and software is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment and software would increase the recorded operating expenses and decrease the carrying value of these non-financial assets. There is no change in the estimated useful lives of property and equipment and software during the year.

Impairment losses on loans to customers

Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible loans. The level of allowance is based on the status of loans, past collection experience and other factors that may affect collectability. The allowance is established by charges to expense in the form of provision for doubtful accounts.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

Taxes

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

Rounding of amounts

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

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

3. RECONCILIATION BETWEEN PREVIOUS GAAP AND NEW PRESENTATION UNDER CIFRS FOR SMEs

In the table below, equity determined in accordance with CIFRS for SMEs is reconciled to equity determined in accordance with previous GAAP at both 1 January 2018 (the date of transition to CIFRS for SMEs) and 31 December 2018 (the end of the latest period presented in the most recent financial statements prepared in accordance with previous GAAP).

Notes	As at 1 January 2018			As at 31 December 2018				
	Previous GAAP US\$	Reclassification US\$	Remeasurement US\$	CIFRS for SMEs US\$	Previous GAAP US\$	Reclassification US\$	Remeasurement US\$	CIFRS for SMEs US\$
ASSETS								
Cash on hand	24,501	-	-	24,501	18,675	-	-	18,675
Balances with the National Bank of Cambodia ("NBC")	67,826	-	-	67,826	130,956	-	-	130,956
Balances with other banks	656,375	-	-	656,375	317,886	-	-	317,886
Loans to customers - net	1,700,262	76,249	(66,713)	1,709,798	4,058,071	94,542	80,769	4,233,382
Other assets	78,624	(87,531)	69,550	60,643	134,077	(97,138)	44,453	81,392
Property and equipment	30,821	-	-	30,821	20,199	-	-	20,199
Software	12,914	-	-	12,914	13,006	-	-	13,006
Total Assets	2,571,323	(11,282)	2,837	2,562,878	4,692,870	(2,596)	125,222	4,815,496
	(i)							
	(ii)							

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

3.RECONCILIATION BETWEEN PREVIOUS GAAP AND NEW PRESENTATION UNDER CIFRS FOR SMEs (continued)

Notes	As at 1 January 2018				As at 31 December 2018			
	Previous GAAP US\$	Reclassification US\$	Remeasurement US\$	CIFRS for SMEs US\$	Previous GAAP US\$	Reclassification US\$	Remeasurement US\$	CIFRS for SMEs US\$
	1,989,002	(11,282)	-	1,977,720	2,883,524	(2,596)	-	2,880,928
LIABILITIES AND SHAREHOLDERS' EQUITY								
LIABILITIES								
Income tax payable	301	-	-	301	828	-	-	828
Borrowings	1,290,000	25,211	-	1,315,211	2,759,500	39,171	-	2,798,671
Other liabilities	698,701	(36,493)	-	662,208	123,196	(41,767)	-	81,429
Total liabilities	1,989,002	(11,282)	-	1,977,720	2,883,524	(2,596)	-	2,880,928
EQUITY								
Share capital	1,250,000	-	-	1,250,000	2,500,000	-	-	2,500,000
Retained earnings	(667,679)	-	2,837	(664,842)	(690,654)	(66,278)	125,222	(631,710)
Regulatory reserve	-	-	-	-	-	66,278	-	66,278
Total equity	582,321	-	2,837	585,158	1,809,346	-	125,222	1,934,568
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,571,323	(11,282)	2,837	2,562,878	4,692,870	(2,596)	125,222	4,815,496

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

3. RECONCILIATION BETWEEN PREVIOUS GAAP AND NEW PRESENTATION UNDER CIFRS FOR SMEs (continued)

Below table describes the differences between profit or loss presented under previous GAAP and the newly presented amounts under CIFRS for SMEs for the year ended 31 December 2018:

	Notes	Previous GAAP			CIFRS for SMEs
		Reclassification US\$	Remeasurement US\$		US\$
Interest income	(v) (a)	519,591	174,749	(22,642)	671,698
Interest expense	(v) (a)	(193,657)	(15,266)	-	(208,923)
Net interest income		325,934	159,483	(22,642)	462,775
Other income	(v) (a)	183,538	(159,483)	-	24,055
Operating income		509,472	-	(22,642)	486,830
Personnel expenses		(243,999)	-	-	(243,999)
Reversal of (provision for) impairment losses on loans to customers	(i) (d)	(123,808)	-	145,027	21,219
Depreciation and amortization		(14,974)	-	-	(14,974)
Other operating expenses		(142,473)	-	-	(142,473)
Income before tax		(15,782)	-	122,385	106,603
Income tax expense		(7,193)	-	-	(7,193)
Net income for the year		(22,975)	-	122,385	99,410

3. RECONCILIATION BETWEEN PREVIOUS GAAP AND NEW PRESENTATION UNDER CIFRS FOR SMEs (continued)

Explanatory notes to the reconciliation

(i) Loans to customers - net

Under previous GAAP, the Company recognized loans to customers at outstanding principal balance while they are now recognized at amortized cost using EIR method.

As at 1 January 2018, loans to customers increased by US\$ 9,536 (31 December 2018: US\$ 175,311) due to the following:

(a) a reclassification of accrued interest receivable from other assets which increased loans to customers by US\$ 87,531 (31 December 2018: US\$ 97,138);

(b) a reclassification of unamortized loan processing fees from other liabilities which decreased loans to customers by US\$ 11,282 (31 December 2018: US\$ 2,596).

(c) cumulative adjustment on unamortized loan processing fee increased carrying amount of loans to customers by US\$ 265 and US\$ 2,720 as at 1 January 2018 and 31 December 2018, respectively. The net effect of recognition processing fee under EIR method increased interest income by US\$ 2,455 for the year ended 31 December 2018; and

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(d) cumulative adjustment on allowance for impairment losses on loans to customers decreased its carrying amount by US\$ 66,978 as at 1 January 2018 but increased its carrying amount by US\$ 78,049 as at 31 December 2018. The reversal of allowance for losses on loans decreased provision expenses for losses on loans for the year ended 31 December 2018 by US\$ 145,027.

(ii) Other assets

As at 1 January 2018, other assets decreased by US\$ 17,981 (31 December 2018: US\$ 52,685) due to the following:

(a) a decrease in other assets because of the reclassification of accrued interest receivable from other assets to loans to customers as explained in (i) (a) above.

(b) an increase in other assets as at 1 January 2018 by US\$69,550 (31 December 2018: US\$ 44,453) for a transition adjustment of interest in suspense to retained earnings as at 1 January 2018 and a reversal from interest income of US\$ 25,097 for the year ended 31 December 2018.

(iii) Borrowings

As at 1 January 2018, borrowings increased by US\$ 25,211 (31 December 2018: US\$ 39,171) because accrued interest payable was reclassified from other liabilities to borrowings.

(iv) Other liabilities

As at 1 January 2018, other liabilities decreased by US\$ 36,493 (31 December 2018: US\$ 41,767) due to those described in (i) (b) and (iii).

3. RECONCILIATION BETWEEN PREVIOUS GAAP AND NEW PRESENTATION UNDER CIFRS FOR SMEs (continued)

Explanatory notes to the reconciliation (continued)

(v) Impact on profit or loss accounts for the year ended 31 December 2018

(a) Loan fees of US\$174,749 and transaction costs on borrowing of US\$15,266 were reclassified from Other income to interest income and interest expense, respectively, and;

(b) the net effect of (i) (c) and (ii) (b) described above decreased interest income by US\$ 22,642.

(vi) Regulatory reserve

The transfer from retained earnings to regulatory reserve is based on NBC requirement (Note 15).

(vii) Retained earnings

The effect of transition adjustments to CIFRS for SMEs decreased retained earnings by US\$ 2,837 as at 1 January 2018 and increased retained earnings by US\$ 125,222 as at 31 December 2018.

3. CASH ON HAND

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
Head office	51,139	208,391	5,607	22,529
Branches	11,716	47,743	13,068	52,507
	62,855	256,134	18,675	75,036

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as at 31 December 2019 and for the year then ended

4. BALANCES WITH THE NBC

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
Current account	6,723	27,396	5,956	23,931
Capital guarantee deposit	125,000	509,375	125,000	502,250
	131,723	536,771	130,956	526,181

Under NBC Prakas No. B7-00-06 on Licensing of MFIs dated 11 January 2000, the Company is required to maintain a capital guarantee deposit equivalent to 5% of its registered capital with the NBC. This deposit is not available for use in the Company's day-to-day operations but is refundable when the Company voluntarily ceases to operate the business in Cambodia.

Capital guarantee deposit in US dollar earns interest at 3/8 of the six-month period SIBOR rate and at 1/2 of the six-month period refinancing rate set by the NBC for capital guarantee deposit maintained in KHR. Current account is non-interest bearing.

6. BALANCES WITH OTHER BANKS

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
Current account	5,407	22,033	2,016	8,100
Savings accounts	391,478	1,595,273	315,870	1,269,166
	396,885	1,617,306	317,886	1,277,266

Current and savings accounts are non-interest bearing. In 2018, current account was non-interest bearing and savings account earned interest at 0.25% per annum.

7. LOANS TO CUSTOMERS – NET

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2) (As restated - Note 3)
Individual loans	7,156,057	29,160,932	4,456,056	17,904,433
Allowance for impairment losses on loans to customers	(211,158)	(860,469)	(222,674)	(894,704)
Loans to customers - net	6,944,899	28,300,463	4,233,382	17,009,729

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2019 and for the year then ended

Movements of provision for impairment losses:

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2) (As restated - Note 3)
	222,674	894,704	472,636	1,908,032
At the beginning of year				
Provision (reversals) for the year	33,198	134,518	(21,219)	(85,831)
Written off during the year	(44,714)	(181,180)	(228,743)	(925,265)
Exchange translation differences	-	12,427	-	(2,232)
At the end of year	211,158	860,469	222,674	894,704

Further analyses of loans as at 31 December 2019 and 2018 are as follows:

(a) *By collateral:*

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2) (As restated - Note 3)
Secured	7,131,800	29,062,085	4,446,936	17,867,787
Unsecured	24,257	98,847	9,120	36,646
Total gross loans	7,156,057	29,160,932	4,456,056	17,904,433

8. LOANS TO CUSTOMERS – NET (continued)

(b) *By residency:*

All loans are granted solely to residents.

(c) *By economic sector:*

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2) (As restated - Note 3)
Manufacturing	3,449,582	14,057,046	2,466,659	9,911,033
Services	929,223	3,786,586	438,997	1,763,889
Trade and commerce	736,536	3,001,384	246,660	991,081
Construction	664,186	2,706,556	123,915	497,889
Transportation	149,583	609,552	46,567	187,108
Agriculture	109,630	446,744	44,778	179,917
Other categories	1,117,317	4,553,064	1,088,480	4,373,516
	7,156,057	29,160,932	4,456,056	17,904,433

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

(d) *By maturity:*

Analysis of loan portfolio by maturity is as follows:

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
			<i>(As restated - Note 3)</i>	
Less than 1 year	1,478,436	6,024,625	4,019,987	16,152,305
1 to 5 years	5,615,311	22,882,394	347,206	1,395,075
More than 5 years	62,310	253,913	88,863	357,048
	7,156,057	29,160,932	4,456,056	17,904,433

(e) *By Currency:*

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
			<i>(As restated - Note 3)</i>	
US Dollar	6,150,792	25,064,477	4,241,656	17,042,974
Khmer Riel	1,005,265	4,096,455	214,400	861,459
	7,156,057	29,160,932	4,456,056	17,904,433

(f) *By relationship*

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
			<i>(As restated - Note 3)</i>	
External customers	7,036,138	28,672,262	4,351,714	17,485,188
Staff loans	119,919	488,670	104,342	419,245
	7,156,057	29,160,932	4,456,056	17,904,433

(g) Annual contractual interest rate:

	2019	2018
KHR	15.60% - 18.00%	16.80% - 18.00%
US\$	15.00% - 16.80%	15.00% - 18.00%

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2019 and for the year then ended

8. OTHER ASSETS

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
			<i>(As restated - Note 3)</i>	
Security deposit	35,301	143,852	25,101	100,856
Receivables from employee- net	28,814	117,417	9,658	38,806
Prepayments	15,752	64,189	7,340	29,492
Receivable from payment service providers	14,356	58,501	25,106	100,876
Foreclosed property	4,900	19,968	4,900	19,688
Other assets	11,349	46,245	9,287	37,315
	110,472	450,172	81,392	327,033

The Company has receivables from employees amounting to US\$ 38,466 and US\$ 17,037 with allowance for impairment losses amounting to US\$ 9,652 and US\$ 7,379 in 2019 and 2018, respectively.

Foreclosed property pertains to a parcel of farm land acquired during the year through foreclosure of collateral from a defaulting loan that was devolved to the Company as part of settlement of debts. The asset is not held for operational purposes but to be disposed of in order to recover the outstanding amount within the maximum allowable period of 12 months based on the Prakas No. B-7-01-186 on Fixed Assets issued by the NBC.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

9.PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Computer equipment	Office equipment	Motor vehicles	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Cost						
As at 1 January 2019	11,794	15,897	17,810	3,309	2,800	51,610
Additions	3,350	3,547	5,926	5,215	6,200	24,238
Exchange translation differences	-	(575)	(360)	831	-	(104)
Write-off	(170)	(3,369)	(722)	(150)	(850)	(5,261)
As at 31 December 2019	14,974	15,500	22,654	9,205	8,150	70,483
Less: Accumulated depreciation						
As at 1 January 2019	4,325	8,199	15,889	1,598	1,400	31,411
Charge for the year	3,416	3,180	3,362	973	967	11,898
Exchange translation differences	(12)	145	(6)	(2)	-	125
Write-off	(11)	(2,298)	(527)	(123)	(675)	(3,634)
As at 31 December 2019	7,718	9,226	18,718	2,446	1,692	39,800
Net book value						
As at 31 December 2019	7,256	6,274	3,936	6,759	6,458	30,683
<i>KHR'000 equivalent (Note 2)</i>	29,568	25,567	16,039	27,543	26,316	125,033

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

PROPERTY AND EQUIPMENT (continued)

	Leasehold improvements	Furniture and fixtures	Computer equipment	Office equipment	Motor vehicles	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Cost						
As at 1 January 2018	11,624	16,837	20,560	3,211	2,800	55,032
Additions	170	1,109	1,705	1,692	-	4,676
Write-off	-	(2,049)	(4,455)	(1,594)	-	(8,098)
As at 31 December 2018	11,794	15,897	17,810	3,309	2,800	51,610
Less: accumulated depreciation						
As at 1 January 2018	1,395	4,967	15,516	1,637	696	24,211
Charge for the year	2,930	4,238	4,682	1,012	704	13,566
Write-off	-	(1,006)	(4,309)	(1,051)	-	(6,366)
As at 31 December 2018	4,325	8,199	15,889	1,598	1,400	31,411
Net book value						
As at 31 December 2018	7,469	7,698	1,921	1,711	1,400	20,199
KHR'000 equivalent (Note 2)	30,010	30,931	7,720	6,875	5,624	81,160

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

9. SOFTWARE

	2019	2018
	US\$	US\$
Cost		
As at 1 January	14,600	13,100
Addition	-	1,500
As at 31 December	14,600	14,600
Less: Accumulated depreciation		
As at 1 January	1,594	186
Charge for the year	1,450	1,408
Exchange translation differences	8	-
As at 31 December	3,052	1,594
Net book value		
As at 31 December	11,548	13,006
<i>KHR'000 equivalent (Note 2)</i>	47,058	52,258

10. INCOME TAX

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

Applicable tax rate

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

11.1 Income tax expense

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

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
			<i>(As restated – Note 3)</i>	
Profit before income tax	290,905	1,178,747	106,603	431,208
Income tax benefit at applicable rate of 20%	58,181	235,749	21,321	86,242
Non-deductible expenses	7,649	30,994	4,814	19,471
Unrecognized temporary difference	(5,053)	(20,475)	(26,135)	(105,713)
Utilization of previously unrecognized tax loss	(60,777)	(246,268)	-	-
Minimum tax	14,254	57,757	7,193	29,096
Income tax expense	14,254	57,757	7,193	29,096

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

11. INCOME TAX (continued)

11.2 Income tax payable

Details of income tax payable are as follows:

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
			(As restated – Note 3)	
As at 1 January	828	3,327	301	1,215
Minimum tax	14,254	57,757	7,193	29,096
Income tax paid	(13,652)	(55,318)	(6,666)	(26,964)
Foreign exchange difference	-	61	-	(20)
As at 31 December	1,430	5,827	828	3,327

11.3 Tax losses carried forward

Tax losses can be carried forward and available for offset against taxable profit subsequent years for up to five (5) years from the originating year.

In accordance with the Prakas on Tax on Profit, in order for the tax losses to be carried forward for a period of five (5) consecutive years and utilized against taxable profit in subsequent years, the following conditions should be met:

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

Tax loss is subject to assessment by the GDT and may not be utilized if one of the criteria mentioned above will not be met.

Details of tax loss carryforward are as follows:

Originating year	Can be utilized up to	Tax loss amount	Utilized up to 31 December 2019	Unutilized tax loss as of 31 December 2019
		US\$	US\$	US\$
2016	2021	163,400	163,400	-
2017	2022	317,655	140,485	177,170
		481,055	303,885	177,170
Equivalent to KHR'000 (Note 2)		1,949,235	1,231,342	717,893

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2019 and for the year then ended

11. INCOME TAX (continued)
11.3 Deferred taxes

The following deferred tax asset items were not recognized since there is no reasonable certainty of realization as at reporting date.

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
			(As restated – Note 3)	
<i>Deferred income tax assets</i>				
Provision on impairment losses of loans	44,122	178,782	49,013	198,259
Unused tax losses	35,434	143,578	96,211	389,173
<i>Deferred income tax liability</i>				
Property and equipment	(468)	(1,895)	(306)	(1,236)
Unrecognized net deferred tax assets	79,088	320,465	144,918	586,196

12. BORROWINGS FROM SHAREHOLDERS

Borrowings from shareholders comprise of:

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
Principal	5,259,500	21,432,463	2,759,500	11,087,671
Accrued interest payable	70,155	285,881	39,171	157,389
	5,329,655	21,718,344	2,798,671	11,245,060

Movement of outstanding principal of borrowings from shareholders follows:

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
As at 1 January	2,759,500	11,087,671	1,290,000	5,207,730
Additions	2,650,000	10,737,800	4,039,500	16,339,778
Repayment	(150,000)	(607,800)	(2,570,000)	(10,395,650)
Foreign translation difference	-	214,792	-	(64,187)
As at 31 December	5,259,500	21,432,463	2,759,500	11,087,671

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2019 and for the year then ended

The Company has entered into borrowing agreements with the following shareholders:

Borrowings from Hikari Power Hong Kong Limited (“HPHKL”)

- On 15 August 2018, the Company entered into a credit facility agreement with HPHKL with a credit limit up to US\$1,500,000. The Company utilized credit facility amounting US\$800,000 and US\$700,000 in 2018 and 2019, respectively. The borrowing has maturity date on 15 August 2032 and bear interest rate at 10% per annum which is payable quarterly.

12. BORROWINGS FROM SHAREHOLDERS (continued)

Borrowings from Hikari Power Hong Kong Limited (“HPHKL”)

- On 5 September 2018, the Company entered into a credit facility agreement with HPHKL amounting to US\$1,959,500 and fully drawdown in 2018. The borrowing has maturity date on 5 September 2020 and bear interest rate at 10% per annum which is payable annually.
- On 28 January 2019, the Company entered into another credit facility agreement with HPHKL with a credit limit up to US\$2,000,000. The borrowing has maturity date on 28 January 2033 and bear interest rate at 10% per annum which is payable quarterly. The Company utilized credit facility amounting to US\$1,800,000 through several drawdowns from 13 March to 15 November 2019 to fund its operation and loan disbursement.
- On 24 October 2019, the Company entered into another credit facility agreement with HPHKL with a credit limit up to US\$2,000,000. The borrowing has maturity date on 28 January 2033 and bear interest rate at 10% per annum which is payable annually. The Company has not utilized any amounts from this credit facility as of 31 December 2019.

Laksmi Prime Investment (“LPI”)

In 2019, the Company entered into a credit facility agreement with LPI with a credit limit of \$300,000. The borrowing bears an interest rate at 10% payable on quarterly basis. The principal of the loan is payable at maturity date on 24 January 2020. The Company drawdown US\$ 150,000 from the facility and fully repaid to LPI during the year.

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
Current	2,029,655	8,270,844	39,171	157,389
Non-current	3,300,000	13,447,500	2,759,500	11,087,671
	5,329,655	21,718,344	2,798,671	11,245,060

13. OTHER LIABILITIES

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
Payable to 121 Shoppe	53,635	218,563	45,166	181,477
Accrued expenses	52,252	212,927	17,526	70,419
Withholding tax payable	7,942	32,364	3,573	14,356
Other liabilities	32,932	134,197	15,164	60,930
	146,761	598,051	81,429	327,182

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

14. SHARE CAPITAL

Number of ordinary shares are as follows:

	2019	2018
As at 1 January	25,000	12,500
Additional share issued	-	12,500
As at 31 December	25,000	25,000

All ordinary shares are registered, issued, and paid up with par value of US\$100 each:

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
As at 1 January	2,500,000	10,000,000	1,250,000	5,000,000
Issued during the year	-	-	1,250,000	5,000,000
As at 31 December	2,500,000	10,000,000	2,500,000	10,000,000

Details of shareholdings as at 31 December 2019 are as follows:

	%	Number of shares	US\$
LPI	50%	12,500	1,250,000
HPHKL	50%	12,500	1,250,000
	100%	25,000	2,500,000

15. REGULATORY RESERVE

Comparison between regulatory provision and CIFRS for SMEs provision follows:

	2019 US\$	2018 US\$
Regulatory provision	292,688	288,952
Less: Allowance per CIFRS for SMEs	(211,158)	(222,674)
Regulatory reserve required	81,530	66,278
KHR'000 equivalent (Note 2)	328,457	266,305

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

16. INTEREST INCOME

2019		2018	
US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
(As restated - Note 3)			

Interest income from:

Loans to customers	1,392,623	5,642,908	671,023	2,714,288
Balances with the NBC and other banks	786	3,185	675	2,730
	1,393,409	5,646,093	671,698	2,717,018

17. INTEREST EXPENSE

This represents interest expenses on borrowings from shareholders (Note 12).

18. OTHER INCOME

2019		2018	
US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
(As restated - Note 3)			

Penalty income	10,508	42,578	10,636	43,023
Other income - net	10,711	43,401	11,612	46,970
Foreign exchange gain (loss) - net	(3,887)	(15,750)	1,807	7,309
	17,332	70,229	24,055	97,302

19. PERSONNEL EXPENSES

2019		2018		
US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)	
Salaries and wages	321,029	1,300,810	218,307	883,052
Other short-term benefits	90,804	367,937	25,692	103,924
	411,833	1,668,747	243,999	986,976

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

20. DEPRECIATION AND AMORTIZATION EXPENSES

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
		(Note 2)		(Note 2)
Property and equipment (Note 9)	11,898	48,211	13,566	54,875
Software (Note 10)	1,450	5,875	1,408	5,695
	13,348	54,086	14,974	60,570

21. OTHER OPERATING EXPENSES

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
		(Note 2)	(As restated - Note 3)	(Note 2)
Rental expenses	35,163	142,480	25,506	103,172
Professional fees	31,304	126,844	9,217	37,283
Office supplies	23,655	95,850	10,028	40,563
Transportation and travelling expenses	22,514	91,227	10,001	40,454
Communications expenses	12,944	52,449	8,643	34,961
Utilities expenses	8,814	35,714	6,473	26,183
Taxes and licenses	7,241	29,341	7,994	32,336
Membership and service fees	7,037	28,514	6,703	27,114
Repairs and maintenance expenses	6,108	24,750	7,050	28,517
Advertising and marketing expenses	5,402	21,889	6,241	25,245
Commission expenses	4,184	16,954	18,993	76,827
Bank charges	2,720	11,021	703	2,844
Provision on impairment losses on other assets	2,273	9,210	7,379	29,848
Others	27,046	109,590	17,542	70,956
	196,405	795,833	142,473	576,303

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

22. LEASE COMMITMENT

The Company has commitments in respect of the lease of buildings under an operating lease arrangement, with future minimum rental amounts as follows:

	2019		2018	
	US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2)
Not later than one year	35,110	143,075	22,085	88,737
Later than one year but less than five years	79,454	323,776	55,233	221,927
Later than five years	78,540	320,051	89,250	358,607
	193,104	786,902	166,568	669,271

23. RELATED PARTY TRANSACTIONS AND BALANCES

Significant transactions and outstanding balances with related parties during the year and as at 31 December 2019 and 2018 were as follows:

Related party	Transaction	2019		2018	
		US\$	KHR'000 (Note 2)	US\$	KHR'000 (Note 2) (As restated - Note 3)
LPI	Interest expense	3,945	15,985	113,307	458,327
	Proceeds from borrowings	150,000	607,800	-	-
	Repayment of borrowings	(150,000)	(607,800)	(2,759,500)	(11,087,671)
HPHKL	Interest expense	461,107	1,868,406	95,616	386,767
	Long-term borrowings	5,259,500	21,432,463	2,759,500	11,087,671
	Accrued interest payable	70,155	285,881	39,171	157,389

Compensation of key management personnel

The Company considers as key management personnel all employees holding managerial positions up to Chairman. The short-term and long-term benefits of key management personnel of the Company amounted to US\$ 132,037 (KHR'000 535,014) and US\$79,957 (KHR'000 323,325) in 2019 and 2018, respectively.

24. TAX CONTINGENCY

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

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

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

25. SUBSEQUENT EVENTS

The Company considers the events surrounding the COVID-19 pandemic as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended 31 December 2019. However, the pandemic could have a material impact on its 2020 financial results and even periods thereafter. In 2020, the NBC instructed bank and financial institutions to pay attention to customers who are facing actual impact and has allowed the loan restructure for the prioritized sectors as determined in the circular. Considering the evolving nature of this pandemic, the Company cannot determine at this time the impact to its financial position, performance and cash flows. The Company will continue to monitor the situation.

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events which occurred subsequent to 31 December 2019 that had significant impact on the financial position of the Company as at 31 December 2019 and its financial performance for the year then ended.



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