



# Annual Report 2020

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## MISSION AND VISSION

### MISSION

PG DEVEOPMENT PLC. is one of the financial institution providing a small and medium financial service to promote the public living standard through lending the loan with reasonable interest rate and providing fast services to customers and SMEs in urban and rural area.



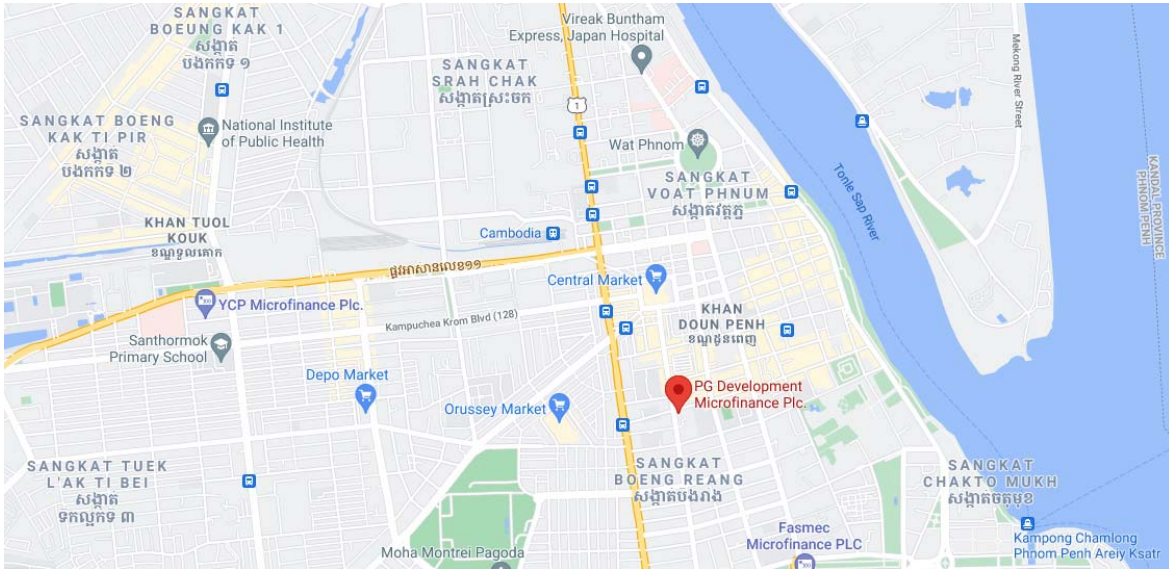


## VISSION

Leading PG DEVELOPMENT PLC. to become the first microfinance which provide convenient service to customer and diversify financial sevice in Cambodia.



## BRIEF HISTORY



(Data as of December 2020)

### HEAD OFFICE AND BRANCH

1

**PG DEVELOPMENT PLC.** is a financial institution which is established in early of 2017 and registered its business license with Ministry of Commerce No.00024896 dated 25 April, 2017 and received financial incorporation license No. MF-84 dated August 11<sup>th</sup>, 2017 from National Bank of Cambodia

Institution is established in the purpose of facilitation the financial need to people who are unable to find the source of fund to create, upgrade and expand their business.



## INSTITUTION INFORMATION

Institution	: PG DEVELOPMENT PLC.
Business Registered Number	: 00024896
Registered Office	: No.20E0, St. 178, Sangkat Phsar Thmey 3, Khan Daun Penh, Phnom Penh, Cambodia.
Telephone	: (098) 999 111 / 999 611
Email	: <a href="mailto:info@pgdevelopmentbank.com">info@pgdevelopmentbank.com</a>
Business started Date	: April 25 <sup>th</sup> , 2017
Audit Firm	: Crowe (KH) Co.,Ltd

## BUSINESS SUMMARY

### CHAIRMAN OF BOARD DIRECTOR'S INTEREST



**CHAIRMAN**  
**of Board Director**  
**Mr. Men Sokchamroeun**

Cambodia has peace, stability and sustainable economic growth, leading to a significant increase in the number of financial institutions. By 2020, there are 48 commercial banks, 13 specialized banks, 81 microfinance institutions, 246 rural credit operator and 15 financial leasing companies.

We are grateful for the recent regulations issued by the National Bank of Cambodia, which enable us to focus on and address the mitigation risks requirement, protection the interests of stakeholders, and especially strengthening customer prevention amongst variety of other mechanisms, with the optimal goal to guarantee sustainable growth in the financial sector.

World Bank has projected Cambodia's economic growth at 4.3%, while the Asian Development Bank has similarly projected 4% growth for 2021 due to contracting 3.1 for 2020. This expansive growth at a strong pace as export diversification to ASEAN, US and EU markets, in the reason of favorable climate and support for fiscal policy Taxes. Further more, China has been becoming an

important market for Cambodia's agricultural products.

According to the National Bank of Cambodia report, Cambodia's economic growth was projected steadily growth around 3.5% in 2021 due to the growth of regional investment, agriculture, manufacturing sector, Tourism, construction and real estate and concession of EBA. All of these sectors are expected to continue to grow.

However, Cambodia's economy is facing the some potential risks regarding the COVID-19 outbreak, increased competition in international market challenge due to some countries have concession EBA and export similar products as Cambodia and on agreement of free trade with Cambodia export market countries, declining household incomes, slowing growth in the construction and real estate sectors, deacceleration growth in agriculture by climate change, declining in tourism sectors, lacking supply of raw materials to garments, services and hospitality, and Cambodia's competition market is still limited. At this stage, it is difficult to forecast the impact on short-term and long-term growth.

Finally, we also express our sinceress gratitude to the Royal Government of Cambodia, the National Bank of Cambodia, regulators, and all relevant authorities for their constant support and dedicated efforts to develop Cambodia's financial industry, especially the microfinance sector.



## MANAGEMENT'S INTEREST



CEO

Mrs. Ngov Vouchgnim

**PG DEVELOPMENT PLC**, always builds up confidence and have high responsibilities to customer. Institution provide loan to potential client and its mostly targeted are farmers, business owner, small and medium enterprise. The institution is keeping resilience and trustworthy relationship with customers.

The institution focuses on improving the operational efficiency, strengthening internal control based on resources, best practices, risk management, and strengthening management development policies. Regular monitoring and evaluation of business management is the responsibility of the management to achieve the institution goals.

Institutions does not focus only on profit goals, but to improve the customer's living standard and the community is the mainly mission that the institution always pays attention as a priority goal. At the mean time, the institution strives to contribute to the development of the financial sector as well as the Cambodian economy towards a further level of growth.

The institution will continue its efforts in

respond to the implementation of the new regulations issued by the National Bank of Cambodia and the risks mitigation requirements, particularly the protection of the customers's interests during COVID-19 outbreak.

In order to obtain high quality level of service, institution has organized professional and qualified staff training, strengthen interpersonal communication between staff at all levels and as well as customers for sharing good experiences to the team serving customers with effective manner.

The institution adheres to the values and reputation as the main driving force, hence the reputation risk is better managed. To build up a better working environment, obviously, professional training is basically of the institution's growth and as an essential part of the human resource development as well as the economy in Cambodia.

Represent as Chief Executive Officer of PG DEVELOPMENT PLC, I would like to express my sincere gratitude toward the Chairman and all the shareholders for their mentor, orientation, support and guidance leading to the recent good achievement. With this opportunity, I would also like to thank the Royal Government of Cambodia, the National Bank of Cambodia, the Cambodian Microfinance Association and all relevant partners who always pay high attention to the protection and development of the financial sector in Cambodia towardly the growth.

## SHAREHOLDERS

### PG DEVELOPMENT PLC

PG DEVELOPMENT PLC is owned by Cambodian Shareholders and two foreign shareholders own a 100% of shares of the institution.

#### SHARES



**USD 1,800,000**

**60%**

**USD 1,200,000**

**40%**



#### TOTAL

**USD 3,000,000**

**100%**

## FINANCIAL HIGHLIGHT

Operational Result	3-Dec-2020	31-Dec-2019
Profit before tax	(121,468)	(123,046)
Profit after tax	(122,278)	(123,567.00)

### Significant Financial Information in Year End

Total Assets	2,562,475	1,678,868
Total Loan (Net)	500,108	539,138.00
Capital	3,000,000	2,000,000.00
Owner's Equity	1,531,244	1,653,522.00

### Financial Ratio

Return on Assets	-4.74%	-7.36%
Return on Owner's Equity	-7.93%	-7.47%
Net-worth to total Assets	59.76%	98.49%
Solvency Ratio	525.62%	300.73%

## COMPLIANCE TO THE LAW AND REGULATION OF NATIONAL BANK OF CAMBODIA

PG DEVELOPMENT PLC always complies with the regulations, circulars, instructions and relevant Prakas of the National Bank of Cambodia in response to the actual requirements of the competent authorities. Evaluating relevant laws and Prakas are an essential obligation of the institution's management and will respond in a timely and effective manner. At the same time, the institution will be firmly committed in continuing to strictly abide by all the new Circulars, Prakas and Regulations issued by the National Bank of Cambodia.

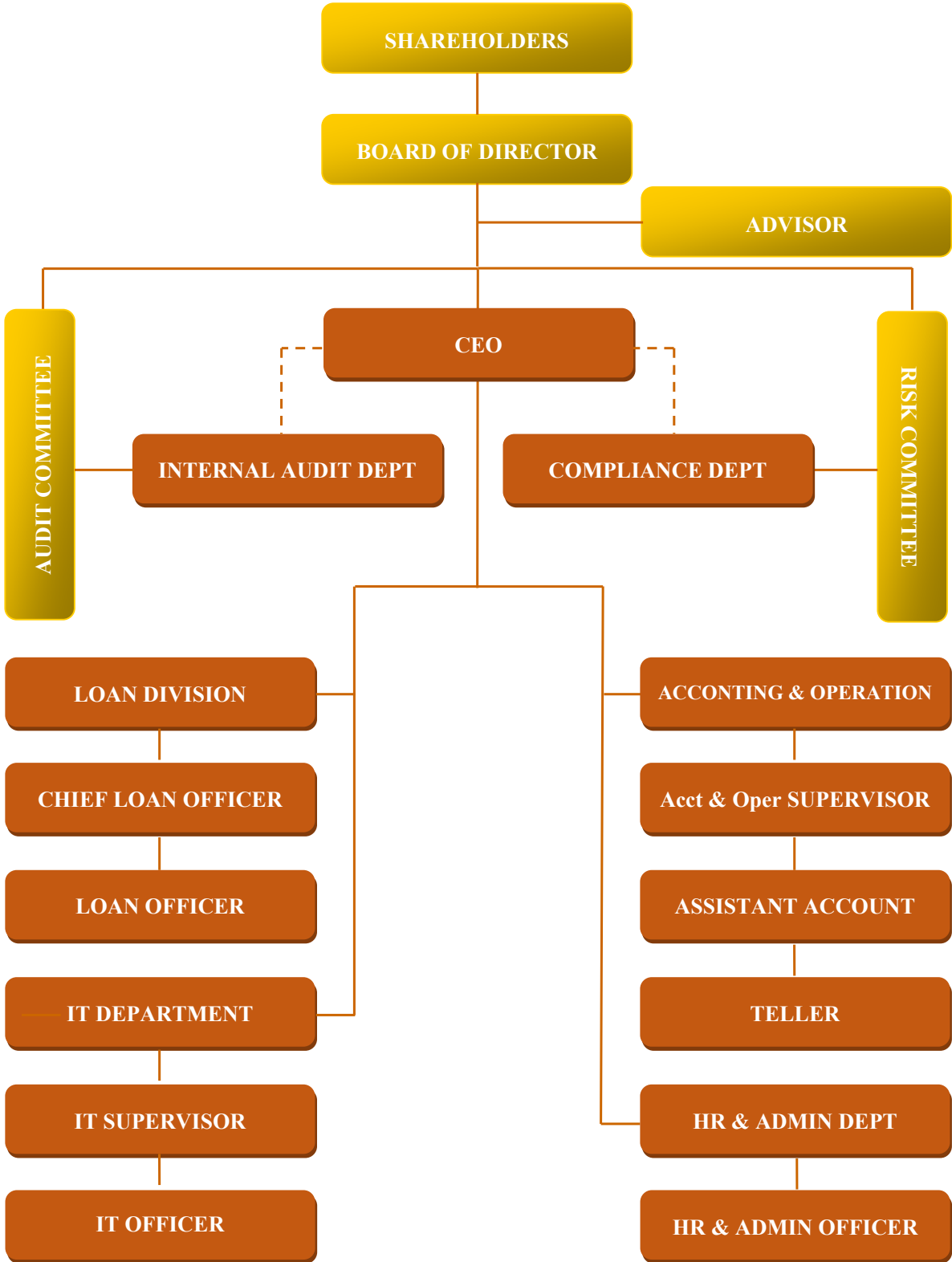
## THANKS GIVING

Director of PG DEVELOPMENT PLC have committed to maintain high standard in our governance practice as well as sustaining position of resilience business operation directing to maintain sustainability of microfinance institution development and protect the interests of all stakeholders, as well as to set rules and regulations guiding all employees toward growth and development in an ethical manner.

We sincerely hope that the institution will actively contribute to the economic and social development of the Kingdom of Cambodia to help improving the customer living standard in the short future.

Finally, on behalf of the management and staff, I would like to express my profound gratitude to the Royal Government of Cambodia, the National Bank of Cambodia, all levels of authorities and all clients for their trust, support and cooperation to the operation of PG DEVELOPMENT PLC.

# ORGANIZATION CHART



# INSTITUTION GOVERNANCE

## PRODUCT AND SERVICE

### PRODUCT

Considering the people need for finding the sources of fund to expand and support their businesses in better growth consistently with current market increasing, PG DEVELOPMENT PLC, provide loan service with flexible loan amount, loan majurity and diversity repayment methods, and better choice of loan with either currency in KHR Riel or US dollar upon customers' demand.

**គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ ភីឌី ឌីវឡបឌីវឡ**  
**PG 限额供资银行**  
**PG DEVELOPMENT MICROFINANCE PLC.**

**ផលិតផល និងសេវាកម្ម**

- ឥណទានយានយន្ត & ឥណទានផ្ទាល់ខ្លួន
- ឥណទានអាជីវកម្ម
- ឥណទានគេហដ្ឋាន

**ព័ត៌មានបន្ថែមសូមទាក់ទង**

**ទូរស័ព្ទលេខ៖** 098 999 111  
098 999 611

ផ្ទះលេខ ២០, ផ្លូវលេខ ១៧៨, សង្កាត់ ផ្សារថ្មី៣, ខណ្ឌជួនពេញ, រាជធានីភ្នំពេញ

#20, ST. 178, SANGKAT PHSAR THMEY 3, KHAN DAUN PENH, PHNOM PENH, CAMBODIA

INFO@PGDEVELOPMENTBANK.COM  
WWW.PGDEVELOPMENTBANK.COM

**ភាពជោគជ័យរបស់អ្នក គឺជាគោលដៅរបស់យើង**  
**YOUR SUCCESS, OUR GOAL**

## SERVICE

PG DEVELOPMENT PLC, has focus on customer service based for sustaining close relationship, friendly, ethical and professional work to ensure the best service to customers.



## BUSINESS ETHIC

The institution has set out regulations to guide all staff towards ethical behavior based on key principles such as:

- No discrimination;
- Avoid the conflict to the institution's benefit;
- Equality for all employees and customers;
- Maintains the confidentiality data of institution and client;
- Service and Commission Fee trasparation;
- Avoid personal interests gain through institutional operations.





## CORPORATE VISION

- Providing excellent service and efficiency;
- Good communication and loyalty to all customers and individuals;
- Promoting employees to be positive and active through salary appraisal, additional benefits and organizing parties;
- To strengthen staff training for new knowledge;
- Promoting good discipline;
- Providing new services to our customers;
- Leading Service;
- To research, study new content and learn about risk management.

## RISK MANAGEMENT

Risk management is an essential issue that PG DEVELOPMENT PLC, is paying close attention in the reason that it is the key to the success for the entire institution. At the mean time, the insitution has its main principle to prevent any risks which may occur by identifying the measures and allocating of high responsibilities independently to each function.

The instituion will identify appropriate strategies to address and mitigate the risks level, such as: acceptance, remedy, transfer and avoidance, and will continue to monitor to ensure that those risks are being managed and resolved.

Audit Department and Compliance Department play an important role in identifying the appropriateness and assessing the risks impact which may occur, then manage to address them in time manner. Regular monitoring is specifically evaluated the likelihood of the risk occurrence and identified the appropriate strategies or new planning activities in mitigating risk with effective manner.



## BUSINESS GOAL

PG DEVELOPMENT PLC is in constant position to manage its structure in order to strengthen its institutional interests, establishment and guidance the implementation of customer-oriented services for continuing enhancement its main growth through providing loan to clients. In addition, institution plans is focused on expanding loan service package with financial partnership which is mainly sustainable development of client.

## CORPORATE GOVERNANCE

To strengthen our organizational structure and comply with laws and regulation of National Bank of Cambodia, we are currently recruiting experience and competence staffs in the field of internal audit and compliance. The internal control and AML policies and procedure are gradually progressed in accordance with the best practice and as required by the National Bank of Cambodia's regulation and guidelines. Furthermore, some committees are formed or established in response to its own development and impact from economic and industry trend.

## TRAINING & DEVELOPMENT

Training and development are the central to further enhancing our staff's improvement and customers' satisfaction. Therefore, we invest in skillful and development and recruit experienced professional staff. Indeed, professionalism, high ethical, integrity and honesty of employees are



the core for the MFI in pursuing and maintaining its regulatory rule undertaking. All managements and staffs are required to perform their work diligently and honestly, placing first the interests of the MFI and customers' satisfaction.

**PG DEVELOPMENT PLC.**  
(Incorporated in Cambodia)

Company No: 00024896

**FINANCIAL REPORT**  
for the financial year ended 31 December 2020

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

## **PG DEVELOPMENT PLC.**

(Incorporated in Cambodia)

Company No: 00024896

### **DIRECTORS' REPORT**

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The directors hereby submit the report and the audited financial statements of the Company for the financial year ended 31 December 2020.

### **DIRECTORS**

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

Men Sokchamroeun	Chairman
Min Li	Director
Ngov Vouchngim	Director (Appointed on 28 September 2020)

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

The directors are responsible to ascertain that financial statements are properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of the results of its operations and its cash flows for the year then ended. In preparing these financial statements, the directors are required to:

- (i) adopt appropriate accounting policies in compliance with Cambodian International Financial Reporting Standards for Small and Medium-Sized Entities (“CIFRS for SMEs”), supported by reasonable and appropriate judgments and estimates and then apply them consistently;
- (ii) comply with disclosure requirements of CIFRS for SMEs and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements or, if there have been any departure in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) maintain adequate accounting records and an effective system of internal controls;

**PG DEVELOPMENT PLC.**

(Incorporated in Cambodia)

Company No: 00024896

**DIRECTORS' REPORT**

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- (iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue its operation in the foreseeable future; and
- (v) control and direct effectively the Company in all material decisions affecting its operations and performance and ascertain that such decisions and/ or instructions have been properly reflected in the financial statements.

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

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

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

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

**PG DEVELOPMENT PLC.**

(Incorporated in Cambodia)

Company No: 00024896

**DIRECTORS' REPORT**

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- (vii) the results of the operations of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature;
- (viii) no contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

**APPROVAL OF THE FINANCIAL STATEMENTS**

The directors hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the financial year then ended in accordance with CIFRS for SMEs.



Men Sokchamroeun  
Chairman



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

*Chartered Accountants*  
Member Crowe International

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#148, Mao Tse Toung Blvd (St.245)  
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Kingdom of Cambodia  
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Fax +855 23 216 727  
[www.crowe.com.kh](http://www.crowe.com.kh)

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PG DEVELOPMENT PLC.**

(Incorporated in Cambodia)  
Company No: 00024896

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

#### **Opinion**

We have audited the financial statements of PG Development Plc. (“the Company”) which comprise the statement of financial position as at 31 December 2020 of the Company, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 43.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flow for the financial year then ended in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRS for SMEs”) and guidelines of the National Bank of Cambodia.

#### **Basis of Opinion**

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

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

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements.





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

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

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

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with CIFRS for SMEs and guidelines of the National Bank of Cambodia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PG DEVELOPMENT PLC.**

(Incorporated in Cambodia)

Company No: 00024896

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

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

As a part of an audit in accordance with CISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:-

- identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors'

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

report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

## Other Matters

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

## Crowe (KH) Co., Ltd.



**ONN KIEN HOE**

Director

28<sup>th</sup> April 2021

**PG DEVELOPMENT PLC.**

(Incorporated in Cambodia)

Company No: 00024896

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

	Note	2020 USD	2019 USD	2020 KHR'000	2019 KHR'000
<b>ASSETS</b>					
Cash on hand	5	925,850	971,013	3,745,063	3,956,878
Deposits and placement with National Bank of Cambodia (“NBC”)	6	964,050	13,789	3,899,582	56,190
Loans and advances to customers – net	7		539,138		2,196,987
		500,108		2,022,937	
Other assets	8	6,820	8,027	27,587	32,710
Statutory deposit	9	150,000	100,000	606,750	407,500
Equipment	10	15,647	39,133	63,292	159,467
Intangible asset	11	-	7,768	-	31,655
<b>TOTAL ASSETS</b>		<b>2,562,475</b>	<b>1,678,868</b>	<b>10,365,211</b>	<b>6,841,387</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
Other liabilities	12	31,171	25,284	126,087	103,032
Income tax payable		60	62	243	253
<b>TOTAL LIABILITIES</b>		<b>31,231</b>	<b>25,346</b>	<b>126,330</b>	<b>103,285</b>
<b>EQUITY</b>					
Share capital	13	3,000,000	2,000,000	12,000,000	8,000,000
Accumulated losses		(468,756)	(346,478)	(1,896,983)	(1,402,368)
Translation reserve			-	135,864	140,470
<b>TOTAL EQUITY</b>		<b>2,531,244</b>	<b>1,653,522</b>	<b>10,238,881</b>	<b>6,738,102</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,562,475</b>	<b>1,678,868</b>	<b>10,365,211</b>	<b>6,841,387</b>

**PG DEVELOPMENT PLC.**

(Incorporated in Cambodia)

Company No: 00024896

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	2020 USD	2019 USD	2020 KHR'000	2019 KHR'000
Interest income	14	63,920	47,056	258,556	190,671
Other operating income	15	3,598	5,021	14,554	20,345
Payroll and other staff costs	16	(89,059)	(74,914)	(360,244)	(303,552)
Depreciation expense	10	(23,893)	(29,245)	(96,647)	(118,502)
Amortization expense	11	(7,768)	(11,634)	(31,422)	(47,141)
General and administrative expense		(64,832)	(57,736)	(262,245)	(233,945)
(Loss) from operation		(118,034)	(121,452)	(478,135)	(492,124)
Allowance for impairment losses on loans	7	(3,434)	(1,594)	(13,891)	(6,459)
(Loss) before tax		(121,468)	(123,046)	(491,339)	(498,583)
Income tax expense	17	(810)	(521)	(3,276)	(2,111)
(Loss) for the year		(122,278)	(123,567)	(494,615)	(500,694)

**PG DEVELOPMENT PLC.**

(Incorporated in Cambodia)

Company No: 00024896

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	Share Capital USD	Accumulat ed losses USD	Total USD
Balance at 31.12.2018/1.1.2019		2,000,000	(222,911)	1,777,089
Loss for the year		-	(123,567)	(123,567)
Balance at 31.12.2019/1.1.2020		2,000,000	(346,478)	1,653,522
Issuance of shares		1,000,000	-	1,000,000
Loss for the year		-	(122,278)	(122,278)
Balance at 31.12.2020		3,000,000	(468,756)	2,531,244

	Note	Share Capital KHR'000	Accumulated losses KHR'000	Translation reserve KHR'000	Total KHR'000
Balance at 31.12.2018/1.1.2019		8,000,000	(901,674)	42,018	7,140,344
Loss for the year		-	(500,694)	-	(500,694)
Translation difference		-	-	98,452	98,452
Balance at 31.12.2019/1.1.2020		8,000,000	(1,402,368)	140,470	6,738,102
Issuance of shares		4,000,000	-	-	4,000,000
Loss for the year		-	(494,615)	-	(494,615)
Translation difference		-	-	(4,606)	(4,606)
Balance at 31.12.2020		12,000,000	(1,896,983)	135,864	10,238,881

**PG DEVELOPMENT PLC.**

(Incorporated in Cambodia)

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**STATEMENT OF CASH FLOWS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	2020 USD	2019 USD	2020 KHR'000	2019 KHR'000
<b>CASH FLOWS FOR OPERATING ACTIVITIES</b>					
(Loss) before tax		(121,468)	(123,046)	(491,339)	(498,583)
Adjustments for :-					
Impairment loss allowance on :-					
- loans and advances	7	3,434	1,594	13,891	6,459
Depreciation and amortisation		31,661	40,879	128,069	165,642
Operating loss before working capital changes		(86,373)	(80,573)	(349,379)	(326,482)
Working capital changes:					
- loans and advance to customers		35,596	(159,435)	143,986	(649,698)
- other assets		1,207	(502)	4,883	(2,046)
- deposit and placement with NBC		-	23,160	-	94,377
- Statutory deposit		(50,000)	-	(202,250)	-
- other liabilities		5,887	1,676	23,813	6,830
<b>NET CASH FLOWS FOR OPERATION</b>		(93,683)	(215,674)	(378,947)	(877,019)
Income tax paid	17	(812)	(509)	(3,285)	(2,062)
<b>NET CASH FLOWS FOR OPERATING ACTIVITIES</b>		(94,495)	(216,183)	(382,232)	(879,081)
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>					
Purchase of equipment	10	(407)	-	(1,646)	-
<b>NET CASH FOR INVESTING ACTIVITIES</b>		(407)	-	(1,646)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Issuance of shares		1,000,000	-	4,000,000	-

**PG DEVELOPMENT PLC.**

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**STATEMENT OF CASH FLOWS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

NET CASH FROM FINANCING ACTIVITIES	1,000,000	-	4,000,000	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	905,098	(216,183)	3,616,122	(879,081)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	971,013	1,200,985	4,013,068	4,825,558
TRANSLATION DIFFERENCE	-	-	15,455	66,591
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	1,889,900	984,802	7,644,645	4,013,068

(i) Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
		USD	USD	KHR '000	KHR '000
	Note				
Cash on hand	5	925,850	971,013	3,745,063	3,956,878
Deposit and placement with NBC	6	964,050	13,789	3,899,582	56,190
		<u>1,889,900</u>	<u>984,802</u>	<u>7,644,645</u>	<u>4,013,068</u>



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**NOTES TO FINANCIAL STATEMENTS  
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**1. GENERAL INFORMATION**

PG Development Plc. (“the Company”) was incorporated in Cambodia and registered with the Ministry of Commerce on 25 April 2017 under Registration No. 00024896. On 11 September 2017, the Company obtained a licence from the National Bank of Cambodia (“NBC”).

Registered office : No. 20Eo, Street 178, Sangkat Phsar Thmey 3, Khan Duan Penh, Phnom Penh, Kingdom of Cambodia.

Principal of business: No. 20Eo, Street 178, Sangkat Phsar Thmey 3, Khan Duan Penh, Phnom Penh, Kingdom of Cambodia.

The financial statements were authorised for issue by the directors on 28 April 2021.

**2. PRINCIPAL ACTIVITIES**

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

There have been no significant changes in the nature of the principle activities during the financial year.

**3. BASIS OF PREPARATION**

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

**PG DEVELOPMENT PLC.**

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**4. SIGNIFICANT ACCOUNTING POLICIES**

**4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

*Key Sources of Estimation Uncertainty*

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

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

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

**(b) Income Taxes**

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

*Critical Judgements Made in Applying Accounting Policies*

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

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**NOTES TO FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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

**4.2 FUNCTIONAL AND PRESENTATION CURRENCIES**

**(a) Functional and Presentation Currency**

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

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

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

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

	<b>2020</b>	<b>2019</b>
Average rate	4,045	4,052
Closing rate	4,045	4,075

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

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

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

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

**PG DEVELOPMENT PLC.**

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**NOTES TO FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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

**4.3 FINANCIAL INSTRUMENTS**

**(a) Initial recognition and measurement**

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

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

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

**(b) Subsequent measurement**

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

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

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**NOTES TO FINANCIAL STATEMENTS  
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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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

**(c) Derecognition**

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

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

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

**(d) Ordinary share**

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

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

**4.4 EQUIPMENT**

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

## **PG DEVELOPMENT PLC.**

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### **NOTES TO FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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

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

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

Leasehold improvements	20%
Furniture and fixtures	33.33% - 50%
Office equipment	33.33%
Computer & IT equipment	33.33%
Motor vehicles	33.33%

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

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

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

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

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

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

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

Intangible assets are assessed to have finite useful lives and are amortized over the

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**NOTES TO FINANCIAL STATEMENTS  
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license period using declining method. The intangible assets are also assessed for impairment whenever there is an indication that they may be impaired. Intangible assets are amortized as below:-

Software licence	33.33%
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**4.6 IMPAIRMENT**

**(a) Impairment of Financial Assets**

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

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

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

All impairment losses are recognised in profit or loss immediately.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previous recognised impairment loss is reversed to the extent that the carrying amount of the financial asset does not exceed its amortised cost at the reversal date. The amount of impairment reversal is recognised in profit or loss.

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

**4.6 IMPAIRMENT (CONT'D)**

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

Loans and advances to customers

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

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

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

<b>Classifications</b>	<b>Number of days past due</b>	
<b>Allowance</b>		
<b>1. General allowance</b>		
<i>Short-term facilities (one year or less):</i>		
Normal	0-14 days	1%
<i>Long-term facilities (more than one year):</i>		
Normal	0-29 days	1%
<b>2. Specific allowance</b>		



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### NOTES TO FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

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

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

###### *Short-term facilities (one year or less):*

Special mention	15-30 days	3%
Sub-standard	31-60 days	20%
Doubtful	61-90 days	50%
Loss	91 days & above	100%

###### *Long-term facilities (more than one year):*

Special mention	30-89 days	3%
Sub-standard	90-179 days	20%
Doubtful	180-359 days	50%
Loss	360 days & above	100%

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

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

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realizable value of the collateral, if any when in the judgment of the management, there is no prospect of recovery.

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Recoveries on loans previously written off are disclosed as other income in the statement of profit or loss.

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

**4.6 IMPAIRMENT (CONT'D)**

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

Loans and advances to customers (Cont'd)

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

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

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

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

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

An impairment loss is recognised in profit or loss.

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

**4.6 IMPAIRMENT (CONT'D)**

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

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

**4.7 CASH AND CASH EQUIVALENTS**

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

**4.8 STATUTORY DEPOSITS WITH NBC**

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

**4.9 LEASES**

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

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

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

**4.10 PROVISIONS**

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

**4.11 EMPLOYEE BENEFITS**

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

**4.12 INCOME TAX**

**(a) Current Tax**

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

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

**(b) Deferred Tax**

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

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

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

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

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

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

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

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

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

**(a) Interest Income**

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

**4.13 REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME  
(Con'td)**

Interest income is recognised on an accrual basis, based on the effective interest method. Interest income on performing loans and advances, and deposits and placements with banks are recognised on a daily accrual basis. Interest on non-performing loans is recorded as interest in suspense rather than income until it is realised on cash basis.

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

**(b) Fee and commission income**

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

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

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**NOTES TO FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****5. CASH ON HAND**

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
US Dollars	900,424	970,403	3,642,215	3,954,392
Khmer Riels	25,426	610	102,848	2,486
	<u>925,850</u>	<u>971,013</u>	<u>3,745,063</u>	<u>3,956,878</u>

**6. DEPOSITS AND PLACEMENTS WITH NBC**

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
In Cambodia				
Current account	964,050	13,789	3,899,582	56,190
The above amount is analyzed as below:				
By currency				
US Dollars	961,632	11,617	3,889,801	47,339
Khmer Riels	2,418	2,172	9,781	8,851
	<u>964,050</u>	<u>13,789</u>	<u>3,899,582</u>	<u>56,190</u>

**7. LOANS AND ADVANCES TO CUSTOMERS - NET**

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
<b>Individual loans</b>				
Long-terms loans	290,177	395,864	1,173,766	1,613,146
Short-term loans	218,811	148,720	885,090	606,034
Gross loans and advances	508,988	544,584	2,058,856	2,219,180
Allowance for impairment losses	(8,880)	(5,446)	(35,919)	(22,193)
Net loans and advances to customers	<u>500,108</u>	<u>539,138</u>	<u>2,022,937</u>	<u>2,196,987</u>

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**NOTES TO FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****7. LOAN AND ADVANCE TO CUSTOMERS (CONT'D)**

Changes in allowance for impairment losses are as follow:

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
At 1 January	5,446	3,852	22,193	15,477
Transfer to profit or loss	3,434	1,594	13,891	6,459
Loan recovery	-	-	-	-
Bad debts written off	-	-	-	-
Translation difference	-	-	(165)	-
At 31 December	<u>8,880</u>	<u>5,446</u>	<u>35,919</u>	<u>22,193</u>

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

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
(a) By maturity period				
From one month to one year	218,811	148,720	885,090	606,034
From one year to five years	290,177	376,501	1,173,766	1,534,242
From five years over	-	19,363	-	78,904
	<u>508,988</u>	<u>544,584</u>	<u>2,058,856</u>	<u>2,219,180</u>
(b) By performance				
Standard loans:				
- Secured	508,988	544,584	2,058,856	2,219,180
- Unsecured	-	-	-	-
Special mention loans:				
- Secured	-	-	-	-
- Unsecured	-	-	-	-
Substandard loans:				
- Secured	-	-	-	-
- Unsecured	-	-	-	-
Doubtful loans:				
- Secured	-	-	-	-
- Unsecured	-	-	-	-
Loss loans:				
- Secured	-	-	-	-
- Unsecured	-	-	-	-
	<u>508,988</u>	<u>544,584</u>	<u>2,058,856</u>	<u>2,219,180</u>



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**NOTES TO FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****7. LOAN AND ADVANCE TO CUSTOMERS (CONT'D)**

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
(c) By currency denomination				
USD	430,902	458,900	1,742,998	1,870,018
KHR	78,086	85,684	315,858	349,162
	<u>508,988</u>	<u>544,584</u>	<u>2,058,856</u>	<u>2,219,180</u>
(d) By status of residence				
Residents	508,988	544,584	2,058,856	2,219,180
	<u>508,988</u>	<u>544,584</u>	<u>2,058,856</u>	<u>2,219,180</u>
(e) By relationship				
Related party	51,729	66,258	209,243	270,001
Non related party	457,259	478,326	1,849,613	1,949,179
	<u>508,988</u>	<u>544,584</u>	<u>2,058,856</u>	<u>2,219,180</u>
(f) By industry:				
Trade and commerce	290,409	195,874	1,174,704	798,187
Transportation	215,427	9,353	871,402	38,113
Household/family	3,152	339,357	12,750	1,382,880
	<u>508,988</u>	<u>544,584</u>	<u>2,058,856</u>	<u>2,219,180</u>
(g) By large exposure				
Non large exposure	315,392	362,125	1,275,760	1,475,660
Large exposure	193,596	182,459	783,096	743,520
	<u>508,988</u>	<u>544,584</u>	<u>2,058,856</u>	<u>2,219,180</u>
			<b>2020</b>	<b>2019</b>
(h). By interest rate per annum				
- Loans to related party			6.5%	6.5%
- Loans to customers			9.6 – 18%	9.6 – 18%

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**NOTES TO FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****8. OTHER ASSETS**

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
Interest receivable	1,901	1,806	7,690	7,359
Rental deposit	4,120	5,400	16,665	22,005
Other	799	821	3,232	3,346
	<u>6,820</u>	<u>8,027</u>	<u>27,587</u>	<u>32,710</u>

**9. STATUTORY DEPOSIT WITH NBC**

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
Statutory deposit	150,000	100,000	606,750	407,500

The Company is required to maintain a statutory deposit of 5% percent of its capital to comply with the NBC's Prakas No. B7-00-06 dated 11 January 2000 and Prakas No. B7-06-209 dated 13 September 2006. The deposit is not available for the Company's daily operation and is refundable when the Company voluntarily liquidates its activities and has no deposit liabilities. This statutory deposit is interest bearing at 1/2 of the six months period refinancing rate set by the NBC for statutory deposit maintained in Khmer Riel and 3/8 of the six-month period SIBOR rate for statutory deposit maintained in US Dollar.

**10. EQUIPMENT**

	<b>At</b>		<b>Depreciation</b>	<b>At</b>
	<b>01.01.2020</b>	<b>Addition</b>	<b>Charge</b>	<b>31.12 2020</b>
	USD	USD	USD	USD
Net Book Value				
Leasehold improvements	23,167	-	(8,716)	14,451
Furniture and fixtures	2,676	-	(2,676)	-
Office equipment	297	-	(297)	-
Computer & IT equipment	11,918	407	(11,904)	421
Motor vehicles	1,075	-	(300)	775
	<u>39,133</u>	<u>407</u>	<u>(23,893)</u>	<u>15,647</u>

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**NOTES TO FINANCIAL STATEMENTS**  
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**10. EQUIPMENT (COUNT'D)**

	As at 01.01.2019 USD	<u>Depreciation</u> Charge USD	As at 31.12.2019 USD
Net Book Value			
Leasehold improvements	31,833	(8,666)	23,167
Furniture and fixtures	6,781	(4,105)	2,676
Office equipment	596	(299)	297
Computer & IT equipment	27,794	(15,876)	11,918
Motor vehicles	1,374	(299)	1,075
	68,378	(29,245)	39,133

	At 01.01.2020 KHR'000	Addition KHR'000	Depreciation Charge KHR'000	Translation Difference KHR'000	At 31.12.2020 KHR'000
Net Book Value					
Leasehold improvements	94,406	-	(35,256)	(696)	58,454
Furniture and fixtures	10,904	-	(10,824)	(80)	-
Office equipment	1,211	-	(1,201)	(10)	-
Computer & IT equipment	48,565	1,646	(48,152)	(356)	1,703
Motor vehicles	4,381	-	(1,214)	(32)	3,135
	159,467	1,646	(96,647)	(1,174)	63,292

	At 01.01.2019 KHR'000	Depreciation Charge KHR'000	Translation Difference KHR'000	At 31.12 2019 KHR'000
Net Book Value				
Leasehold improvements	127,905	(35,115)	1,616	94,406
Furniture and fixtures	27,246	(16,633)	291	10,904
Office equipment	2,394	(1,212)	29	1,211
Computer & IT equipment	111,677	(64,330)	1,218	48,565
Motor vehicles	5,521	(1,212)	72	4,381
	274,743	(118,502)	3,226	159,467

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**NOTES TO FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****10. EQUIPMENT (COUNT'D)**

	<b>At Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
	USD	USD	USD
As at 31 December 2020			
Leasehold improvements	43,452	(29,001)	14,451
Furniture and fixtures	12,350	(12,350)	-
Office equipment	902	(902)	-
Computer & IT equipment	48,159	(47,738)	421
Motor vehicles	1,500	(725)	775
	<b>106,363</b>	<b>(90,716)</b>	<b>15,647</b>

	<b>At Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
	USD	USD	USD
As at 31 December 2019			
Leasehold improvements	43,452	(20,285)	23,167
Furniture and fixtures	12,350	(9,674)	2,676
Office equipment	902	(605)	297
Computer & IT equipment	47,752	(35,834)	11,918
Motor vehicles	1,500	(425)	1,075
	<b>105,956</b>	<b>(66,823)</b>	<b>39,133</b>

	<b>At Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
	KHR'000	KHR'000	KHR'000
As at 31 December 2020			
Leasehold improvements	175,763	(117,309)	58,454
Furniture and fixtures	49,956	(49,956)	-
Office equipment	3,649	(3,649)	-
Computer & IT equipment	194,803	(193,100)	1,703
Motor vehicles	6,068	(2,933)	3,135
	<b>430,239</b>	<b>(366,947)</b>	<b>63,292</b>

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**NOTES TO FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****10. EQUIPMENT (COUNT'D)**

	<b>At Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
	KHR'000	KHR'000	KHR'000
As at 31 December 2019			
Leasehold improvements	177,067	(82,661)	94,406
Furniture and fixtures	50,326	(39,422)	10,904
Office equipment	3,676	(2,465)	1,211
Computer & IT equipment	194,589	(146,024)	48,565
Motor vehicles	6,113	(1,732)	4,381
	<u>431,771</u>	<u>(272,304)</u>	<u>159,467</u>

**11. INTANGIBLE ASSET**

	<b>2020 USD</b>	<b>2019 USD</b>	<b>2020 KHR'000</b>	<b>2019 KHR'000</b>
<b>System and software</b>				
<b>Cost</b>				
At 1 January	35,000	35,000	142,625	140,630
Addition	-	-	-	-
Translation difference	-	-	(1,050)	1,995
At 31 December	<u>35,000</u>	<u>35,000</u>	<u>141,575</u>	<u>142,625</u>
<b>Less Accumulated amortization</b>				
At 1 January	(27,232)	(15,598)	(110,970)	(62,673)
Addition	(7,768)	(11,634)	(31,422)	(47,141)
Translation difference	-	-	817	(1,156)
At 31 December	<u>(35,000)</u>	<u>(27,232)</u>	<u>(141,575)</u>	<u>(110,970)</u>
<b>At 31 December</b>	<u>-</u>	<u>7,768</u>	<u>-</u>	<u>31,655</u>

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**NOTES TO FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****12. OTHER LIABILITIES**

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
Other tax payables	1,038	1,267	4,199	5,163
Other payables	17,688	17,606	71,548	71,744
Accruals	12,445	6,411	50,340	26,125
	<u>31,171</u>	<u>25,284</u>	<u>126,087</u>	<u>103,032</u>

**13. SHARE CAPITAL**

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
Ordinary shares of USD\$2,000 each for 2019 and US\$2,000 each for 2020	3,000,000	2,000,000	12,000,000	8,000,000

THE COMPANY ISSUED 500 NUMBER OF NEW SHARES AT AN ISSUE PRICE OF USD2,000 PER SHARE DURING THE YEAR. THE SHARES ISSUED RANK PARI PASSU WITH THE EXISTING SHARES OF THE COMPANY.

**14. INTEREST INCOME**

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
Loans and advances	63,920	47,056	258,556	190,671

**15. OTHER OPERATING INCOME**

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
Fee and commission	850	3,147	3,438	12,752
Interest income from capital guarantee	287	629	1,161	2,548
Other fee	578	853	2,338	3,457
Gain on foreign exchange	1,883	392	7,617	1,588
	<u>3,598</u>	<u>5,021</u>	<u>14,554</u>	<u>20,345</u>

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**NOTES TO FINANCIAL STATEMENTS  
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**16. PERSONNEL COST**

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
Salaries and bonus	78,811	63,339	318,790	256,650
Other employee benefits	10,248	11,255	41,454	45,605
Staff uniform	-	320	-	1,297
	<u>89,059</u>	<u>74,914</u>	<u>360,244</u>	<u>303,552</u>

At the end of the financial year, the total number of employees of the Company is 9 (2019 –9).

**17. INCOME TAX EXPENSE**

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

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

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
Loss before tax	(121,468)	(123,046)	(491,339)	(498,583)
Income tax at Cambodian tax rate 20%	(24,294)	(24,609)	(98,258)	(99,717)
Tax effects of:- Deferred tax assets not recognized	24,294	24,609	98,258	99,717
Minimum tax	810	521	3,276	2,111
	<u>810</u>	<u>521</u>	<u>3,276</u>	<u>2,111</u>

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**NOTES TO FINANCIAL STATEMENTS  
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**18. TAX CONTINGENCIES**

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

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

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

**19. LEASE COMMITMENT**

The Company leases an office under an operating lease. The lease period is from 1 July 2020 to 1 July 2022 with an option to renew after that date. The Company is restricted from sub-leasing the leased assets to third parties.

The future minimum lease payments under the operating lease is as follows:-

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
Not more than 1 year	14,832	12,600	59,995	51,055
Later than 1 year but not later than 5 year	12,360	-	49,996	-
	<u>27,192</u>	<u>12,600</u>	<u>109,991</u>	<u>51,055</u>

**20. RELATED PARTIES TRANSACTIONS**

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
Director remuneration and other benefits	10,500	18,000	42,525	73,350
Office rental expense to related party	24,400	21,600	98,698	88,020
	<u>34,900</u>	<u>39,600</u>	<u>141,223</u>	<u>161,370</u>



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**NOTES TO FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**
**21. FINANCIAL INSTRUMENTS****21.1 CATEGORIES OF FINANCIAL INSTRUMENTS**

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
<b>Financial Assets</b>				
<u>Amortised Cost</u>				
Cash on hand	925,850	971,013	3,745,063	3,956,878
Deposits and placement with NBC	964,050	13,789	3,899,582	56,190
Loans and advances to customers	500,108	539,138	2,022,937	2,196,987
Other assets	6,820	8,027	27,587	32,710
	<u>2,396,828</u>	<u>1,531,967</u>	<u>9,695,169</u>	<u>6,242,765</u>

**Financial Liabilities**Amortised Cost

Other liabilities	31,171	25,284	126,087	103,032
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The main risks arising from the Company's financial instruments in the normal course of business are operational risk, credit risk, market risk and liquidity risk.

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

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

**21.2 OPERATIONAL RISK**

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

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**21. FINANCIAL INSTRUMENTS (CONT'D)**

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

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

**21.3 CREDIT RISK**

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

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

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

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**21. FINANCIAL INSTRUMENTS (CONT'D)**

**21.3 CREDIT RISK (CONT'D)**

**(a) Credit risk measurement**

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

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

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

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

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

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

**(c) Impairment and provisioning policies**

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

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

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**NOTES TO FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****21. FINANCIAL INSTRUMENTS (CONT'D)****21.3 CREDIT RISK (CONT'D)**

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

	<b>Gross Amount USD</b>	<b>Collective Impairment USD</b>	<b>Carrying Amount USD</b>
<b>2020</b>			
Not past due	508,988	(8,880)	500,108
Past due:	-	-	-
- less than 3 months	-	-	-
- 3 to 6 months	-	-	-
- more than 6 months	-	-	-
- more than 1 year	-	-	-
	<b>508,988</b>	<b>(8,880)</b>	<b>500,108</b>
<b>2019</b>			
Not past due	544,584	(5,446)	539,138
Past due:	-	-	-
- less than 3 months	-	-	-
- 3 to 6 months	-	-	-
- more than 6 months	-	-	-
- more than 1 year	-	-	-
	<b>544,584</b>	<b>(5,446)</b>	<b>539,138</b>

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**21. FINANCIAL INSTRUMENTS (CONT'D)****21.3 CREDIT RISK (CONT'D)**

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

	<b>Gross Amount</b>	<b>Collective Impairment</b>	<b>Carrying Amount</b>
	KHR'000	KHR'000	KHR'000
<b>2020</b>			
Not past due	2,058,856	(35,919)	2,022,937
Past due:	-	-	-
- less than 3 months	-	-	-
- 3 to 6 months	-	-	-
- more than 6 months	-	-	-
- more than 1 year	-	-	-
	<u>2,058,856</u>	<u>(35,919)</u>	<u>2,022,937</u>
<b>2019</b>			
Not past due	2,219,180	(22,193)	2,196,987
Past due:	-	-	-
- less than 3 months	-	-	-
- 3 to 6 months	-	-	-
- more than 6 months	-	-	-
- more than 1 year	-	-	-
	<u>2,219,180</u>	<u>(22,193)</u>	<u>2,196,987</u>

(a) Maximum exposure to credit risk before collateral held or other credit enhancements

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
<b>Credit risks exposures relating to on-balance sheet assets:</b>				

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Deposit and placement with NBC	964,050	13,789	3,899,582	56,190
Statutory deposit	150,000	100,000	606,750	407,500
Loans and advances	500,108	539,138	2,022,937	2,196,987
Other assets	6,820	8,027	27,587	32,710
	1,620,978	660,954	6,556,856	2,693,387

**21. FINANCIAL INSTRUMENTS (CONT'D)****21.3 CREDIT RISK (CONT'D)**

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

	2020 USD	2019 USD	2020 KHR'000	2019 KHR'000
<b>Credit risks exposures relating to on-balance sheet assets:</b>				
Deposit and placement with NBC	964,050	13,789	3,899,582	56,190
Statutory deposit	150,000	100,000	606,750	407,500
Loans and advances	500,108	539,138	2,022,937	2,196,987
Other assets	6,820	8,027	27,587	32,710
	1,620,978	660,954	6,556,856	2,693,387

The table above represents the maximum credit risk exposure to the Company as at 31 December 2020, without taking into account any collateral held or other credit enhancements. 12% (2019: 28%) of the total maximum credit exposure is derived from loans and advances to customers in Cambodia.

- (e) Exposure to credit risk

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

*Write-off policy*

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**21. FINANCIAL INSTRUMENTS (CONT'D)**

**21.3 CREDIT RISK (CONT'D)**

(e) Exposure to credit risk (Cont'd)

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

*Collateral*

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

*Concentration of credit risk*

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

**21.4 MARKET RISK**

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

(a) Foreign currency exchange risk

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

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**21. FINANCIAL INSTRUMENTS (CONT'D)**

**21.4 MARKET RISK (CONT'D)**

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

(b) Interest rate risk

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

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



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## 21.4 MARKET RISK (CONT'D)

## (b) Interest rate risk (cont'd)

	Up to 1 month USD	1 - 3 months USD	4 - 6 months USD	7 - 12 months USD	1 - 5 years USD	Over 5 years USD	Non- interest bearing USD	Total USD	Interes t rates %
<b>Financial assets</b>									
Cash on hand	-	-	-	-	-	-	925,850	925,850	-
Deposit and placement with banks	964,050	-	-	-	-	-	-	964,050	-
Loans and advances to customers:									
- Loan principal	-	-	-	218,811	290,177	-	-	508,988	6.5 - 18
- Provisions for loan losses	-	-	-	-	-	-	(8,880)	(8,880)	-
Statutory deposits	-	-	-	-	-	-	150,000	150,000	0.2 - 0.3
Other assets	-	-	-	-	-	-	6,820	6,820	-
<b>Total financial assets</b>	<b>964,050</b>	<b>-</b>	<b>-</b>	<b>218,811</b>	<b>290,177</b>	<b>-</b>	<b>1,073,790</b>	<b>2,546,828</b>	
<b>Financial liabilities</b>									
Other liabilities	-	-	-	-	-	-	31,171	31,171	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,171</b>	<b>31,171</b>	<b>-</b>
<b>Interest sensitivity gap 2020</b>	<b>964,050</b>	<b>-</b>	<b>-</b>	<b>218,811</b>	<b>290,177</b>	<b>-</b>	<b>1,104,961</b>	<b>2,577,999</b>	

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## 21.4 MARKET RISK (CONT'D)

## (b) Interest rate risk (cont'd)

	Up to 1 month USD	1 - 3 months USD	4 - 6 months USD	7 - 12 months USD	1 - 5 years USD	Over 5 years USD	Non- interest bearing USD	Total USD	Interest rates %
<b>Financial assets</b>									
Cash on hand	-	-	-	-	-	-	971,013	971,013	-
Deposit and placement with banks	13,789	-	-	-	-	-	-	13,789	-
Loans and advances to customers:									
- Loan principal	-	-	-	148,720	376,501	19,363	-	544,584	6.5 - 18
- Provisions for loan losses	-	-	-	-	-	-	(5,446)	(5,446)	-
Statutory deposits	-	-	-	-	-	100,000	-	100,000	0.2 – 0.3
Other assets	-	-	-	-	-	-	8,714	8,714	-
<b>Total financial assets</b>	<b>13,789</b>	<b>-</b>	<b>-</b>	<b>148,720</b>	<b>376,501</b>	<b>119,363</b>	<b>974,281</b>	<b>1,632,382</b>	
<b>Financial liabilities</b>									
Other liabilities	-	-	-	-	-	-	25,284	25,284	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,284</b>	<b>25,284</b>	
<b>Interest sensitivity gap 2019</b>	<b>13,789</b>	<b>-</b>	<b>-</b>	<b>148,720</b>	<b>376,501</b>	<b>119,363</b>	<b>999,565</b>	<b>1,657,938</b>	

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## 21.4 MARKET RISK (CONT'D)

## (b) Interest rate risk (cont'd)

	Up to 1 month KHR'000	1 - 3 months KHR'000	4 - 6 months KHR'000	7 - 12 months KHR'000	1 - 5 years KHR'000	Over 5 years KHR'000	Non- interest bearing KHR'000	Total KHR'000	Interest rates %
<b>Financial assets</b>									
Cash on hand	-	-	-	-	-	-	3,745,063	3,745,063	-
Deposit and placement with NBC	3,899,582	-	-	-	-	-	3,899,582	3,899,582	-
Loans and advances to customers:									
- Loan principal	-	-	-	885,090	1,173,766	-	-	2,058,856	6.5 - 18
- Provisions for loan losses	-	-	-	-	-	-	(35,919)	(35,919)	-
Statutory deposits	-	-	-	-	-	-	606,750	606,750	02 - 03
Other assets	-	-	-	-	-	-	27,587	27,587	-
<b>Total financial assets</b>	<b>3,899,582</b>	<b>-</b>	<b>-</b>	<b>885,090</b>	<b>1,173,766</b>	<b>-</b>	<b>8,243,063</b>	<b>10,301,919</b>	
<b>Financial liabilities</b>									
Other liabilities	-	-	-	-	-	-	126,087	126,087	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>126,087</b>	<b>126,087</b>	<b>-</b>
<b>Interest sensitivity gap 2020</b>	<b>3,899,582</b>	<b>-</b>	<b>-</b>	<b>885,090</b>	<b>1,173,766</b>	<b>-</b>	<b>8,369,150</b>	<b>10,428,006</b>	

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## 21.4 MARKET RISK (CONT'D)

## (b) Interest rate risk (cont'd)

	Up to 1 month KHR'000	1 - 3 months KHR'000	4 - 6 months KHR'000	7 - 12 months KHR'000	1 - 5 years KHR'000	Over 5 years KHR'000	Non- interest bearing KHR'000	Total KHR'000	Interest rates %
<b>Financial assets</b>									
Cash on hand	-	-	-	-	-	-	3,956,878	3,956,878	-
Deposit and placement with banks	56,190	-	-	-	-	-	-	56,190	-
Loans and advances to customers:									
- Loan principal	-	-	-	606,034	1,534,242	78,904	-	2,219,180	6.5 - 18
- Provisions for loan losses	-	-	-	-	-	-	(22,193)	(22,193)	-
Statutory deposits	-	-	-	-	-	407,500	-	407,500	0.2 - 0.3
Other assets	-	-	-	-	-	-	32,710	32,710	-
<b>Total financial assets</b>	<b>56,190</b>	<b>-</b>	<b>-</b>	<b>606,034</b>	<b>1,534,242</b>	<b>486,404</b>	<b>3,967,395</b>	<b>6,650,265</b>	
<b>Financial liabilities</b>									
Other liabilities	-	-	-	-	-	-	103,032	103,032	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103,032</b>	<b>103,032</b>	
<b>Interest sensitivity gap 2019</b>	<b>56,190</b>	<b>-</b>	<b>-</b>	<b>606,034</b>	<b>1,534,242</b>	<b>486,404</b>	<b>4,070,427</b>	<b>6,753,297</b>	

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**21. FINANCIAL INSTRUMENTS (CONT'D)****21.5 LIQUIDITY RISK**

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

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

**(a) Maturity Analysis**

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

	<b>Weighted Average Effective Interest Rate %</b>	<b>Carrying Amount USD</b>	<b>Contractual undiscounted cash flow USD</b>	<b>Within 1 Year USD</b>	<b>1 - 5 Years USD</b>	<b>Over 5 Years USD</b>
<u>2020</u>						
<u>Non-derivative Financial Liabilities</u>						
Other liabilities	n/a	31,171	31,171	31,171	-	-
<hr/>						
<u>2019</u>						
<u>Non-derivative Financial Liabilities</u>						
Other liabilities	n/a	25,284	25,284	25,284	-	-
<hr/>						

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	Weighted Average Effective Interest Rate %	Carrying Amount KHR'000	Contractual undiscounted cash flow KHR'000	Within 1 Year KHR'000	1 - 5 Years KHR'000	Over 5 Years KHR'000
<u>2020</u>						
<u>Non-derivative Financial Liabilities</u>						
Other liabilities	n/a	126,087	126,087	126,087	-	-
<u>2019</u>						
<u>Non-derivative Financial Liabilities</u>						
Other liabilities	n/a	103,032	103,032	103,032	-	-

**21.6 CAPITAL RISK MANAGEMENT****(a) Regulatory Capital**

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

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

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**21. FINANCIAL INSTRUMENTS (CONT'D)****21.6 CAPITAL RISK MANAGEMENT (CONT'D)**

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

**(b) Capital allocation**

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

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

**22. COMPARATIVE FIGURES**

The following figures have been reclassified to conform with presentation of the current financial year :-

Statement of comprehensive income (Extract):-

	<b>As restated 2019 USD</b>	<b>As previously reported 2019 USD</b>	<b>As restated 2019 KHR'000</b>	<b>As previously reported 2019 KHR'000</b>
Interest income	47,056	47,685	190,671	193,220
Other operating income	5,021	4,392	20,345	17,796

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

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**APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES  
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**NET WORTH**

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

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
<b>CATEGORY A ITEM: ITEMS TO BE ADDED</b>				
Capital or endowment	3,000,000	2,000,000	12,135,000	8,036,000
Reserves, other than re-evaluation reserves	-	-	-	-
Share premiums	-	-	-	-
Provision for general banking risks, with the prior agreement of the NBC	-	-	-	-
Retained earnings	-	-	-	-
Audited profit of the latest financial year	-	-	-	-
Dividend	-	-	-	-
Other items approved by NBC	-	-	-	-
<b>SUBTOTAL A</b>	<b>3,000,000</b>	<b>2,000,000</b>	<b>12,135,000</b>	<b>8,036,000</b>
<b>CATEGORY B ITEM: ITEMS TO BE DEDUCTED</b>				
for shareholders, directors, managers and their next of kind	-	-	-	-
<ul style="list-style-type: none"> <li>• unpaid portion of capital</li> <li>• advances, loans, security and the agreement of the persons concerned as defined above</li> </ul>	(51,729)	(66,258)	(209,244)	(270,001)
Holding of own shares at their book value	-	-	-	-

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Accumulated losses	(346,478)	(222,911)	(1,402,368)	(901,674)
Formation expenses	-	-	-	-
Loss determined on dates other than Year End	(122,278)	(123,567)	(496,615)	(500,694)
<b>SUBTOTAL B</b>	<b>(520,485)</b>	<b>(412,736)</b>	<b>(2,108,227)</b>	<b>(1,672,369)</b>
<b>C. BASE NET WORTH (A – B)</b>	<b>2,479,515</b>	<b>1,587,264</b>	<b>10,026,773</b>	<b>6,327,631</b>
<b>CATEGORY D ITEMS: ITEMS TO BE ADDED</b>				
Revaluation reserves with the prior agreement of the NBC	-	-	-	-
Subordinated debts, with the prior agreement of the NBC, up to 100% of based net worth	-	-	-	-
Other items approved by the NBC	-	-	-	-
<b>SUBTOTAL D</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Equity participation in banking or financial institutions	-	-	-	-
Other items : Deferred charges	-	-	-	-
<b>SUBTOTAL E</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>F. TOTAL NET WORTH (C+D-E)</b>	<b>2,479,515</b>	<b>1,587,264</b>	<b>10,026,773</b>	<b>6,327,631</b>

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**SOLVENCY RATIO**

In accordance with the NBC's Prakas No. B7-00-06 dated 11 January 2000 and amended by Prakas No. B7-07-133 dated 27 August 2007; all micro-finance institutions shall observe a solvency ratio which is the ratio of their net worth to their aggregate credit risk exposure. The result found shall not be less than 15 percent. As at 31 December 2020, the solvency ratio of the Company is 290.09%.

	Weighting	2020 USD	2019 USD	2020 KHR'000	2019 KHR'000
<b>NUMERATOR</b>					
A. Net worth as at 31 December		2,479,515	1,587,264	10,026,773	6,327,631
<b>DENOMINATOR</b>					
Cash in hand	0%	-	-	-	-
Gold	0%	-	-	-	-
Deposits with the NBC	0%	-	-	-	-
Assets collateralized by deposits lodged with the bank	0%	-	-	-	-
Claims on sovereign rated AAA to AA-	0%	-	-	-	-
Claims on sovereign rated A+ to A-	20%	-	-	-	-
Claims on bank rated AAA to AA-	20%	-	-	-	-
Claims on bank rated BBB+ to BBB-	50%	-	-	-	-
Claims on bank rated A+ to A-	50%	-	-	-	-
Other assets	100%	506,928	547,165	2,050,524	2,229,697
Off-balance sheet items	0%	-	-	-	-
<b>B TOTAL RISK WEIGHTED ASSETS</b>					
		506,928	547,165	2,050,524	2,229,697
<b>SOLVENCY RATIO (A/B)</b>					
		489.12%	290.09%	489.12%	290.09%

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**APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES  
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DECEMBER 2020****(this does not form part of the audited financial statements)****LIQUIDITY RATIO**

In accordance with NBC's Prakas B7-00-148 dated 25 February 2002, a licensed microfinance institution shall at all times maintain a liquidity ratio of at least 100%. As at 31 December 2019, the liquidity ratio of the Company was not applicable as there was no voluntary saving balance.

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	USD	USD	KHR'000	KHR'000
<b>I. NUMERATOR: LIQUID ASSET(A)</b>				
1. Treasury balance				
- Debit items				
Cash in hand	925,850	971,013	3,745,063	3,956,878
Deposits with the NBC (excluding statutory deposit and reserve)	964,050	13,789	3,899,582	56,190
Deposits with banks	-	-	-	-
Balance with walletagents	-	-	-	-
Portion of lending to bank and FI with maturity up to one month	-	-	-	-
Portion of lending to customers up to one month to run	-	-	-	-
	<u>1,889,900</u>	<u>984,802</u>	<u>7,644,645</u>	<u>4,013,068</u>
<b>Less:</b>				
- Credit items				
Credit balance on site accounts maintained with the NBC, bank Or financial institution		-		-
Borrowings from the NBC and bank with more than one month to run		-		-
<b>Net balance – Lender position</b>	<u>1,889,900</u>	<u>984,802</u>	<u>7,644,645</u>	<u>4,013,068</u>
2. Lending with not more than one month to run (exclude loans with no maturity).	-	-	-	-
3. Treasury bills with not more than on month to run	-	-	-	-
<b>TOTAL NUMERATOR (A)</b>	<u>1,889,900</u>	<u>984,802</u>	<u>7,644,645</u>	<u>4,013,068</u>
<b>II. DENOMINATOR: ADJUSTED AMOUNT OF DEPOSIT (B)</b>				
Voluntary saving at 25%	-	-	-	-
<b>III. LIQUIDITY RATIO (A/B)</b>	<u>NOT APPLICABLE</u>			

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**APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES  
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AS AT 31 DECEMBER 2020**

	OUTSTANDING PRINCIPAL LOAN		ALLOWANCE FOR IMPAIRMENT LOSS ON LOANS AND ADVANCES AS REQUIRED BY NATIONAL BANK OF CAMBODIA
	USD	RATE	USD
<b>AS AT 31 DECEMBER 2020</b>			
1. Loan of one year or less			
Standard	218,811	1%	2,188
Special mention	-	3%	-
Sub-standard	-	20%	-
Doubtful	-	50%	-
Loss	-	100%	-
<b>A</b>	<b>218,811</b>		<b>2,188</b>
Equivalent to KHR'000	885,090		8,851
2. Loan of more than one year			
Standard	290,177	1%	2,902
Special mention	-	3%	-
Sub-standard	-	20%	-
Doubtful	-	50%	-
Loss	-	100%	-
<b>B</b>	<b>290,177</b>		<b>2,902</b>
Equivalent to KHR'000	1,173,766		11,738
<b>TOTAL</b>	<b>C = A+B</b>		<b>5,090</b>
Equivalent to KHR'000	2,058,856		20,589

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**APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES ON COMPLIANCE WITH THE NBC'S PRAKAS FOR THE YEAR ENDED 31 DECEMBER 2020 (this does not form part of the audited financial statements)****FOREIGN CURRENCY NET OPEN POSITION**

In accordance with the NBC's Prakas B7-07-134 dated 27 August 2007, the Company is required to maintain foreign currency net open position not exceeding 20% of the Company's net worth:

Currency	Balance sheet		Net open position	Net open position/Net worth %	Limit %	Excess %
	1	2	3			
	Assets	Liabilities and capital	+(long) or – (short)			
	+	-	(1+2)			
USD	2,457,926	(2,563,856)	(105,930)	4.27%	20%	No
KHR	105,930	-	105,930	4.27%	20%	No
<b>Grand total</b>	2,563,856	2,563,856	-			

**Net worth:** USD2,479,515