



ANNUAL REPORT **2019**

CONTENTS

Page

Mission and Vision.....	i-ii
Brief History.....	iii
Institution’s Information.....	iv
Business Summary.....	v-viii
Institution Governance.....	ix-xii
Directors’ Report.....	1
Independent Auditors’ Report.....	3
BalanceSheet.....	6
Statement of comprehensive income.....	7
Statement of Changes in Equity.....	8
Statement of cash flows.....	9
Notes to the Financial Statements.....	10
Appendix: Supplementary financial information and other notes on compliance with National Bank of Cambodia’s Prakas.....	i-v

1. Mission and Vision

a. Mission

PG Development Microfinance Plc. is one of the financial institution which providing a small and medium financial service to promote the public living condition through providing loan with reasonable interest rate and fast services to customers and SMEs in Phnom Penh City and Provinces.



Vision

Lead PG Development Microfinance Plc. to become customers' first mined microfinance which provide convenience and diversify financial services in Cambodia.



2. Brief History

PG Development Microfinance Plc. is a financial institution which established in early of 2017 and registered business license with Ministry of Commerce No.00024896 dated 25 April, 2017 and received financial incorporation license No. MF-84 dated 11 August, 2017 from National Bank of Cambodia. The Institution was established in order to facilitate the financial need of people who are unable to find the source of capital to create and expand their business.



3. Institution's Information

Institution : PG Development Microfinance Plc.

Business Registered Number : 00024896

Registered Office : No.20, St. 178, Sangkat Phsar Thmey 3,
Khan Daun Penh, Phnom Penh, Cambodia.

Telephone : (098) 999 111 / 999 611

Email : INFO@PGDEVELOPMENTBANK.COM

Business started Date : 25 April 2017

Audit Firm : Crowe (KH) Co.,Ltd

4. Business Summary

4.1 Chairman's Interest



Because of peace, stability and sustained economic growth, there has been a significant expansion in the number of financial institutions in 2019, which now includes 47 commercial banks, 15 specialized banks and 82 microfinance institutions.

We are grateful for the new regulations issued by the National Bank of Cambodia, which enable us to focus on and address the need to mitigate risks, protect the interests of stakeholders, and especially to strengthen customer protection amongst many other mechanisms, with the optimal goal to guarantee sustainable growth in the financial sector.

World Bank and the Asian Development Bank delivered the same projection on Cambodian economic growth of 7% for 2019. This expansive growth was propelled by export diversification, strong construction and real estate, tourism activities, better weather conditions, and a supportive fiscal policy.

According to the National Bank of Cambodia, Cambodia's economic growth was projected to reach around 7% in 2020 due to growth in exports, foreign investment inflows, tourism, and construction and real estate, sectors which are expected to enjoy continued growth.

However, there are some potential risks for economic growth in 2020. External risks include a faster-than-expected slowdown in China's economy, which could have a negative impact on Cambodia's economy as it has a close relationship with China. Moreover, the implementation of protectionist policies could affect the country's exports.

Finally, the COVID-19 virus is spreading globally and will impact short-term economic growth due to a drop in tourism, a reduction in the supply of raw materials to the garment sector, and contraction in the service and hospitality industries. At this stage, it is difficult to predict the ultimate impact on short and long-term growth.

Finally, we also express our sincerest 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.

4.2 Financial Highlight

Operation Result	31-Dec-2019	31-Dec-2018
Profit befor tax	(123,046.00)	(222,593.00)
Profit after tax	(123,567.00)	(222,911.00)

Significant financial information in Year End

Total Asset	1,678,868	1,800,747.00
Total Loan (Net)	539,138.00	382,679.00
Capital	2,000,000.00	2,000,000.00
Owner's Equity	1,653,522.00	1,777,089.00

Financial Ration

Return on Assets	-7.36%	-12.38%
Return of Owner's Equity	-7.47%	-12.54%
Net-worth to Total Assets	98.49%	98.69%
Solvency Ration	300.73%	372.87%

4.3 Compliance to the rule and Regulation of National Bank of Cambodia

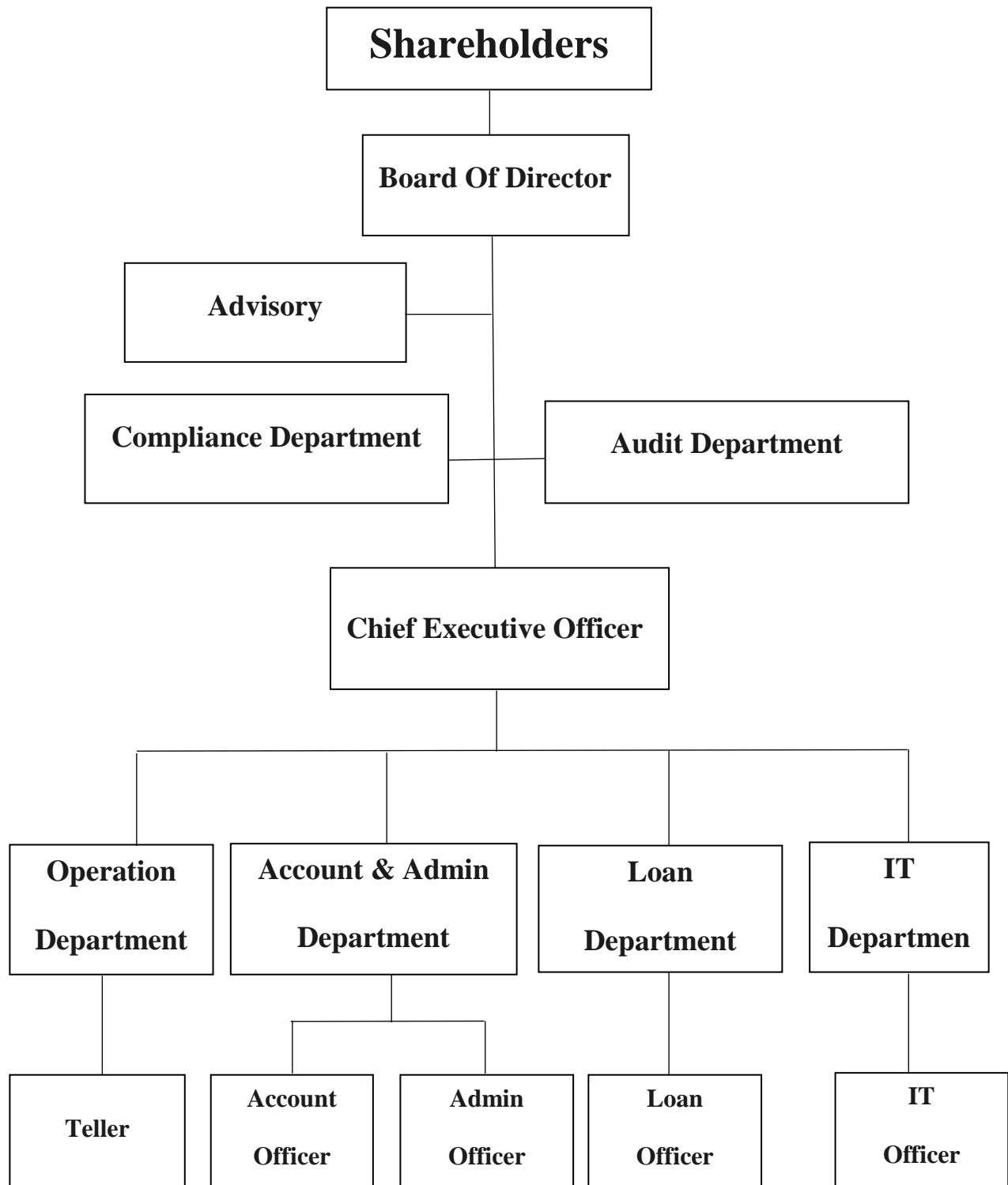
PG Development Microfinance Plc. is always performing upon the guideline and Prakass issued by The National Bank of Cambodia. The Institution will consistently perform upon the circulation, Prakass and laws promulgated by the NBC

4.4 Thanks Giving

The Management of PG Development Microfinance Plc. have commit to keep high standard of its business governance and strong position of business operation in order to maintain sustainability of the development of microfinance and protect all parties interest and set out rules to guide all staff towards ethical behavior.

Finally, on behalf of 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 authority and clients for their support and cooperation in the operational process of PG Development Microfinance Plc.

4.5 PG Development Microfinance Organization Chart



5. Institution Governance

5.1 Products and Services

a. Products

Considering the need of the people to seek the resources to expand and support their businesses, and the growth consistently with current market has increased, PG Development Microfinance Plc. provide flexible customer loan service, cash amount, long term repayment and multiple repayment options, and can choose either currency in riel or US dollar upon customers' demand.



ផលិតផល និងសេវាកម្ម

- ឥណទានយានយន្ត & ឥណទានផ្ទាល់ខ្លួន
- ឥណទានអាជីវកម្ម
- ឥណទានគេហដ្ឋាន



b. Services

PG Development Microfinance Plc. has focused on customer service, maintaining close relationships, friendly, ethical and professional work to ensure the best service to cutomers.



5.2 Business Ethic

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

- No discrimination
- Avoid conflict to the benefit of the institution
- Equality for all employees and customers and maintains the confidentiality data of company and client
- Avoid personal interests through institutional operations

5.3 Corporate Vision

- Providing excellent service and efficiency
- Good relationship and loyalty to all customers and individuals
- Promote employees to be positive and active by raising salary, additional benefits and organizing parties.
- Strengthen staff training in new sections
- Promote good discipline
- Provide new services to our customers
- Research and study new content and learn about risk management

5.4 Risk Management

Risk management is at the heart of PG Development Microfinance Plc. being deeply concerned because it is the driving force behind the success of the establishment. At the same time, the institution has a major policy is preventing in advance of risks by identifying measures and allocating high responsibility for self-reliance in each section.

The institution will identify appropriate strategies to address and mitigate the risk levels at risk such as acceptance, remedy, transfer, and avoidance, and the institution will continue to conduct a review to ensure that those risks are managed and resolved.



5.5 BUSINESS TARGET

The institution has continued a steady stance in organizational structure to strengthen institutional benefits, to establish and to continue guidance the service of customer is priority, and continue enhancing its core growth by providing loans to clients. In addition, the MFI plans to expand its loan portfolios particularly lending based on the financial partnership for the sustainable growth of the customers.

5.6 CORPORATE GONERNANCE

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

5.7 TRAINING & DEVELOPMENT

Training and development are central to further enhancing our staff's improvement and customers' satisfaction. That's why we invest in the skills and development of our people and recruit experienced professional staff. Indeed, professionalism, high ethical, integrity and honesty of employees are crucial for the MFI in pursuing and maintaining its regulatory rule. All staff and management 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 2019

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

TABLE OF CONTENTS

	Page
Directors' Report	1
Independent Auditors' Report	3
Balance Sheet.....	6
Statement of comprehensive income	7
Statement of Changes in Equity	8
Statement of cash flows	9
Notes to the Financial Statements.....	10
Appendix: Supplementary financial information and other notes on compliance with National Bank of Cambodia's Prakas	i-v

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

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

DIRECTORS' REPORT

The directors hereby submit the report and the audited financial statements of the Company for the financial year ended 31 December 2019.

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

Sokret Thorn Esara

Director (Resigned on 18 September 2019)

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 2019 and of the results of its operations and its cash flow for the year ended 31 December 2019. In preparing these financial statements, the directors are required to:

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

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

In the opinion of the directors, the accompanying financial statements of the Company are drawn up in accordance with CIFRS for SMEs so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of the results of its operations and its cash flows for the year then ended.



Crowe (KH) Co., Ltd

Chartered Accountants
Member Crowe International

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

(Incorporated in Cambodia)
Company No: 00024896

Unit 4B, 4th floor, K1 Building,
#148, Mao Tse Toung Blvd (St.245)
Sangkat ToulTompong 2
Khan Chomkarmon,
Phnom Penh
Kingdom of Cambodia
Main +855 23 216 717
Fax +855 23 216 727

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 2019 of the Company, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended 31 December 2019, 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 2019, 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.



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

(Incorporated in Cambodia)
Company No: 00024896

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.

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.

**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 (Cont'd)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 2019 and for the year then ended, respectively, is presented for the purpose of additional analysis and it does not form an integral part of the audited financial statements. The translation has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express any opinion on it.

Crowe (KH) Co., Ltd.



ONN KIEN HOE

Director

Phnom Penh, Kingdom of Cambodia

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019 USD	2018 USD	2019 KHR'000	2018 KHR'000
ASSETS					
Cash on hand	5	971,013	1,200,985	3,956,878	4,825,558
Deposits and placement with NBC	6	13,789	23,160	56,190	93,057
Loans and advances to customers – net	7	539,138	381,297	2,196,987	1,532,051
Other assets	8	8,027	7,525	32,710	30,236
Statutory deposit	9	100,000	100,000	407,500	401,800
Property and equipment	10	39,133	68,378	159,467	274,743
Intangible asset	11	7,768	19,402	31,655	77,957
TOTAL ASSETS		1,678,868	1,800,747	6,841,387	7,235,402
LIABILITIES AND EQUITY					
LIABILITIES					
Other liabilities	12	25,284	23,608	103,032	94,857
Income tax payable		62	50	253	201
TOTAL LIABILITIES		25,346	23,658	103,285	95,058
EQUITY					
Share capital	13	2,000,000	2,000,000	8,000,000	8,000,000
Accumulated losses		(346,478)	(222,911)	(1,402,368)	(901,674)
Translation reserve		-	-	140,470	42,018
TOTAL EQUITY		1,653,522	1,777,089	6,738,102	7,140,344
TOTAL LIABILITIES AND EQUITY		1,678,868	1,800,747	6,841,387	7,235,402

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

		01.01.2019	24.04.2017	01.01.2019	24.04.2017
		to	to	to	to
	Note	31.12.2019	31.12.2018	31.12.2019	31.12.2018
		USD	USD	KHR'000	KHR'000
Interest income	14	47,685	22,509	193,220	91,049
Other operating income	15	4,392	9,522	17,796	38,516
Payroll and other staff costs	16	(74,914)	(103,742)	(303,552)	(419,636)
Depreciation and amortization expense		(40,879)	(53,176)	(165,642)	(215,097)
General and administrative expense		(57,736)	(93,854)	(233,946)	(379,639)
(Loss) from operation		(121,452)	(218,741)	(492,124)	(884,807)
Allowance for impairment losses on loans	7	(1,594)	(3,852)	(6,459)	(15,581)
(Loss) before tax		(123,046)	(222,593)	(498,583)	(900,388)
Income tax expense	17	(521)	(318)	(2,111)	(1,286)
(Loss) for the year		(123,567)	(222,911)	(500,694)	(901,674)

The comparative figures are for the period from 24 April 2017 (date of incorporation) to 31 December 2018.

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	Share Capital USD	Accumulated losses USD	Total USD
Balance at 24.04.2017		-	-	-
Addition		2,000,000	-	2,000,000
Loss for the year		-	(222,911)	(222,911)
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		2,000,000	(346,478)	1,653,522

	Note	Share Capital KHR'000	Accumulated losses KHR'000	Translation reserve KHR'000	Total KHR'000
Balance at 24.04.2017		-	-	-	-
Addition		8,000,000	-	-	8,000,000
Loss for the year		-	(901,674)	-	(901,674)
Translation difference		-	-	42,018	42,018
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		8,000,000	(1,402,368)	140,470	6,738,102

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

		01.01.2019	24.04.2017	01.01.2019	24.04.2017
		to	to	to	to
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
	Note				
CASH FLOWS FOR OPERATING ACTIVITIES					
(Loss) before tax		(123,046)	(222,593)	(498,583)	(900,388)
Doesn't tie to income statement					
Adjustments for :-					
Impairment loss allowance on :-					
- loans and advances	7	1,594	3,852	6,459	15,581
Depreciation and amortisation		40,879	53,176	165,642	215,097
Operating loss before working capital changes		(80,573)	(165,565)	(326,482)	(669,710)
Working capital changes:					
- loans and advance to customers		(159,435)	(386,531)	(649,698)	(1,553,082)
- other assets		(502)	(6,143)	(2,046)	(24,683)
- deposit and placement with NBC		9,371	(23,160)	38,187	(93,057)
- Statutory deposit		-	(100,000)	-	(401,800)
- other liabilities		1,676	23,608	6,830	94,857
NET CASH FLOWS (FOR) OPERATION		(229,463)	(657,791)	(933,209)	(2,647,475)
Income tax paid	17	(509)	(268)	(2,062)	(1,084)
NET CASH FLOWS FOR OPERATING ACTIVITIES		(229,972)	(658,059)	(935,271)	(2,648,559)
CASH FLOWS FOR INVESTING ACTIVITIES					
Purchase of property and equipment	10	-	(105,956)	-	(425,731)
Purchase of intangible asset	11	-	(35,000)	-	(140,630)
NET CASH FOR INVESTING ACTIVITIES		-	(140,956)	-	(566,361)
CASH FLOWS FROM FINANCING ACTIVITIES					
Share capital		-	2,000,000	-	8,000,000
NET CASH FROM FINANCING ACTIVITIES		-	2,000,000	-	8,000,000
NET CHANGE IN CASH AND CASH EQUIVALENTS		(229,972)	1,200,985	(935,271)	4,785,080
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		1,200,985	-	4,825,558	-
TRANSLATION DIFFERENCE		-	-	66,591	40,478
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		971,013	1,200,985	3,956,878	4,825,558

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)
Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 Board of Directors on 29 May 2020.

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”).

This is the Company’s first set of financial statements prepared in accordance with CIFRS for SMEs.

In the previous financial year, the financial statements of the Company were prepared in accordance with the guidelines issued by the NBC and Cambodian Accounting Standards (“CAS”) and practice within the micro-finance industry.

The transition to CIFRS for SMEs is accounted for in accordance with Section 35 ‘Transition to the CIFRS for SMEs’, with 1 January 2018 as the date of transition. The accounting policies set out in Note 4 to the financial statements have been applied to all financial information covered under this set of financial statements, including the comparative information presented. The effects of the transition from CAS to CIFRS for SMEs are set out in Note 21 to the financial statements.

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)
Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(b) Income Taxes

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

Critical Judgements Made in Applying Accounting Policies

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

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)
Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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:

	2019	2018
Opening rate	N/A	4,037
Closing rate	4,075	4,018
Average rate for the year	4,052	4,045

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

(b) Foreign Currency Transactions and Balances

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

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

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)
Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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.

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)
Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 PROPERTY AND EQUIPMENT

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

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

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

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

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

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)
Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 PROPERTY AND 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 property and 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 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%
------------------	--------

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.

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)
Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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:-

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

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

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)
Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 IMPAIRMENT (CONT'D)

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

Loans and advances to customers (Cont'd)

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

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

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

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

(b) Impairment of Non-Financial Assets

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

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

An impairment loss is recognised in profit or loss.

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)
Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 IMPAIRMENT (CONT'D)

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

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

4.7 CASH AND CASH EQUIVALENTS

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

4.8 STATUTORY DEPOSITS WITH NATIONAL BANK OF CAMBODIA

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

4.9 LEASES

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

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

4.10 PROVISIONS

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

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)
Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 EMPLOYEE BENEFITS

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

4.12 INCOME TAX

(a) Current Tax

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

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

(b) Deferred Tax

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

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

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

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)
Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 INCOME TAX (CONT'D)

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

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

4.13 REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME

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

(a) Interest Income

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

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****5. CASH ON HAND**

	2019	2018	2019	2018
	USD	USD	KHR'000	KHR'000
US Dollars	970,403	1,200,985	3,954,392	4,825,558
Khmer Riels	610	-	2,486	-

6. DEPOSITS AND PLACEMENTS WITH NBC

	2019	2018	2019	2018
	USD	USD	KHR'000	KHR'000
In Cambodia				
Current account	13,789	23,160	56,190	93,057

The above amount is analyzed as below:

By currency				
US Dollars	11,617	10,716	47,339	43,057
Khmer Riels	2,172	12,444	8,851	50,000

7. LOANS AND ADVANCES TO CUSTOMERS - NET

	2019	2018	2019	2018
	USD	USD	KHR'000	KHR'000
Individual loans				
Long-terms loans	395,864	325,135	1,613,146	1,306,392
Short-term loans	148,720	60,014	606,034	241,136
Gross loans and advances	544,584	385,149	2,219,180	1,547,528
Allowance for impairment losses	(5,446)	(3,852)	(22,193)	(15,477)
Net loans and advances to customers	539,138	381,297	2,196,987	1,532,051

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****7. LOAN AND ADVANCE TO CUSTOMERS (CONT'D)**

Changes in allowance for impairment losses are as follow:

	2019	2018	2019	2018
	USD	USD	KHR'000	KHR'000
At 1 January/ 24 April 2017	3,852	-	15,477	-
Transfer to profit or loss	1,594	3,852	6,463	15,581
Bad debts written off	-	-	-	-
Translation difference	-	-	253	(104)
	<u>5,446</u>	<u>3,852</u>	<u>22,193</u>	<u>15,477</u>
At 31 December	5,446	3,852	22,193	15,477

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

	2019	2018	2019	2018
	USD	USD	KHR'000	KHR'000
(a) By maturity period				
From one month to one year	148,720	63,479	606,034	255,058
From one year to five years	376,501	321,670	1,534,242	1,292,470
From five years over	19,363	-	78,904	-
	<u>544,584</u>	<u>385,149</u>	<u>2,219,180</u>	<u>1,547,528</u>
(b) By performance				
Standard loans:				
- Secured	544,584	385,149	2,219,180	1,547,528
- Unsecured	-	-	-	-
Special mention loans:				
- Secured	-	-	-	-
- Unsecured	-	-	-	-
Substandard loans:				
- Secured	-	-	-	-
- Unsecured	-	-	-	-
Doubtful loans:				
- Secured	-	-	-	-
- Unsecured	-	-	-	-
Loss loans:				
- Secured	-	-	-	-
- Unsecured	-	-	-	-
	<u>544,584</u>	<u>385,149</u>	<u>2,219,180</u>	<u>1,547,528</u>

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****7. LOAN AND ADVANCE TO CUSTOMERS (CONT'D)**

	2019	2018	2019	2018
	USD	USD	KHR'000	KHR'000
(c) By currency denomination				
USD	458,900	385,149	1,870,018	1,547,528
KHR	85,684	-	349,162	-
	<u>544,584</u>	<u>385,149</u>	<u>2,219,180</u>	<u>1,547,528</u>
(d) By status of residence				
Residents	<u>544,584</u>	<u>385,149</u>	<u>2,219,180</u>	<u>1,547,528</u>
(e) By relationship				
Related party	66,258	-	270,001	-
Non related party	<u>478,326</u>	<u>385,149</u>	<u>1,949,179</u>	<u>1,547,528</u>
(f) By industry:				
Trade and commerce	195,874	123,997	798,187	498,220
Transportation	9,353	9,691	38,113	38,938
Household/family	<u>339,357</u>	<u>251,461</u>	<u>1,382,880</u>	<u>1,010,370</u>
(g) By large exposure				
Non large exposure	362,125	385,149	1,475,660	1,547,528
Large exposure	<u>182,459</u>	<u>-</u>	<u>743,520</u>	<u>-</u>
			2019	2018
(h). By interest rate per annum				
- Loans to related party			6.5%	-
- Loans to customers			9.6 – 18%	9.6 – 18%

8. OTHER ASSETS

	2019	2018	2019	2018
	USD	USD	KHR'000	KHR'000
Interest receivable	1,806	1,382	7,359	5,553
Rental deposit	5,400	5,400	22,005	21,697
Other	821	743	3,346	2,986
	<u>8,027</u>	<u>7,525</u>	<u>32,710</u>	<u>30,236</u>

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****9. STATUTORY DEPOSIT WITH NBC**

	2019	2018	2019	2018
	USD	USD	KHR'000	KHR'000
Statutory deposit	100,000	100,000	407,500	401,800

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 month period refinancing rate set by the NBC for statutory deposit maintained in Khmer Riel and 3/8 of the six-month period SIBOR rate for statutory deposit maintained in US Dollar.

10. PROPERTY AND EQUIPMENT

	At	Depreciation	At
	01.01.2019	Charge	31.12.2019
	USD	USD	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

	As at	Depreciation	As at
	24.04.2017	Additions	31.12.2018
	USD	USD	USD
Net Book Value			
Leasehold improvements	43,452	(11,619)	31,833
Furniture and fixtures	12,350	(5,569)	6,781
Office equipment	902	(306)	596
Computer & IT equipment	47,752	(19,958)	27,794
Motor vehicles	1,500	(126)	1,374
	105,956	(37,578)	68,378

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****10. PROPERTY AND EQUIPMENT (COUNT'D)**

	At 01.01.2019	Depreciation Charge	Translation Difference	At 31.12 2019	
	KHR'000	KHR'000	KHR'000	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	
	At 24.04.2017	Additions	Depreciation Charge	Translation Difference	At 31.12 2018
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Net Book Value					
Leasehold improvements	174,590	(46,999)	314	127,905	
Furniture and fixtures	49,622	(22,527)	151	27,246	
Office equipment	3,624	(1,238)	8	2,394	
Computer & IT equipment	191,868	(80,730)	539	111,677	
Motor vehicles	6,027	(510)	4	5,521	
	425,731	(152,004)	1,016	274,743	

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****10. PROPERTY AND EQUIPMENT (COUNT'D)**

	At Cost	Accumulated Depreciation	Net Book Value
	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
	105,956	(66,823)	39,133
As at 31 December 2018			
Leasehold improvements	43,452	(11,619)	31,833
Furniture and fixtures	12,350	(5,569)	6,781
Office equipment	902	(306)	596
Computer & IT equipment	47,752	(19,958)	27,794
Motor vehicles	1,500	(126)	1,374
	105,956	(37,578)	68,378
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
	431,771	(272,304)	159,467
As at 31 December 2018			
Leasehold improvements	174,590	(46,685)	127,905
Furniture and fixtures	49,622	(22,376)	27,246
Office equipment	3,624	(1,230)	2,394
Computer & IT equipment	191,868	(80,191)	111,677
Motor vehicles	6,027	(506)	5,521
	425,731	(150,988)	274,743

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****11. INTANGIBLE ASSET**

	2019 USD	2018 USD	2019 KHR'000	2018 KHR'000
System and software				
Cost				
At 1 January/ 24 April 2017	35,000	-	140,630	-
Addition	-	35,000	-	140,630
Translation difference	-	-	1,995	-
At 31 December	<u>35,000</u>	<u>35,000</u>	<u>142,625</u>	<u>140,630</u>
Less Accumulated amortization				
At 1 January/ 24 April 2017	(15,598)	-	(62,673)	-
Addition	(11,634)	(15,598)	(47,141)	(63,094)
Translation difference	-	-	(1,156)	421
At 31 December	<u>(27,232)</u>	<u>(15,598)</u>	<u>(110,970)</u>	<u>(62,673)</u>
At 31 December	<u>7,768</u>	<u>19,402</u>	<u>31,655</u>	<u>77,957</u>

12. OTHER LIABILITIES

	2019 USD	2018 USD	2019 KHR'000	2018 KHR'000
Other tax payables	1,267	370	5,163	1,487
Other payables	17,606	23,238	71,744	93,370
Accruals	6,411	-	26,125	-
	<u>25,284</u>	<u>23,608</u>	<u>103,032</u>	<u>94,857</u>

13. SHARE CAPITAL

	2019 USD	2018 USD	2019 KHR'000	2018 KHR'000
Registered and issued capital	<u>2,000,000</u>	<u>2,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>

14. INTEREST INCOME

	2019 USD	2018 USD	2019 KHR'000	2018 KHR'000
Loans and advances	<u>47,685</u>	<u>22,509</u>	<u>193,220</u>	<u>91,049</u>

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****15. OTHER OPERATING INCOME**

	2019 USD	2018 USD	2019 KHR'000	2018 KHR'000
Fee and commission	3,147	9,124	12,752	36,907
Other fee	853	398	3,456	1,609
Gain on foreign exchange	392	-	1,588	-
	<u>4,392</u>	<u>9,522</u>	<u>17,796</u>	<u>38,516</u>

16. PERSONNEL COST

	2019 USD	2018 USD	2019 KHR'000	2018 KHR'000
Salaries and bonus	63,339	90,667	256,650	366,748
Other employee benefits	11,255	13,075	45,605	52,888
Staff uniform	320	-	1,297	-
	<u>74,914</u>	<u>103,742</u>	<u>303,552</u>	<u>419,636</u>

At the end of the financial year, the total number of employees of the Company is 9 (2018 –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:

	2019 USD	2018 USD	2019 KHR'000	2018 KHR'000
Loss before tax	(123,046)	(222,593)	(498,583)	(900,388)
Income tax at Cambodian tax rate 20%	(24,609)	(44,519)	(99,717)	(180,078)
Tax effects of:-				
Deferred tax assets not recognized	24,609	44,519	99,717	180,078
Minimum tax	521	318	2,111	1,286
	<u>521</u>	<u>318</u>	<u>2,111</u>	<u>1,286</u>

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)
Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 a cancellable operating lease. The lease period is from 1 July 2017 to 1 July 2020 with an option to renew after that date. The Company is restricted from sub-leasing the leased assets to third parties.

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

	2019 USD	2018 USD	2019 KHR'000	2018 KHR'000
Not more than 1 year	12,600	21,600	51,055	87,372
Later than 1 year but not later than 5 year	-	12,600	-	50,967
	<u>12,600</u>	<u>34,200</u>	<u>51,055</u>	<u>138,339</u>

20. RELATED PARTIES TRANSACTIONS

	2019 USD	2018 USD	2019 KHR'000	2018 KHR'000
Director remuneration and other benefits	18,000	27,000	73,350	108,486
Office rental expense to related party	21,600	32,400	88,020	130,183
	<u>21,600</u>	<u>32,400</u>	<u>88,020</u>	<u>130,183</u>

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

21. FINANCIAL INSTRUMENTS**21.1 CATEGORIES OF FINANCIAL INSTRUMENTS**

	2019	2018	2019	2018
	USD	USD	KHR'000	KHR'000
Financial Assets				
<u>Amortised Cost</u>				
Cash on hand	971,013	1,200,985	3,956,878	4,825,558
Deposits and placement with NBC	13,789	23,160	56,190	93,057
Loans and advances to customers	539,138	381,297	2,196,987	1,532,051
Other assets	8,027	7,525	32,710	30,236
	<u>1,531,967</u>	<u>1,612,967</u>	<u>6,242,765</u>	<u>6,480,902</u>
Financial Liabilities				
<u>Amortised Cost</u>				
Other liabilities	<u>25,284</u>	<u>23,608</u>	<u>103,032</u>	<u>94,857</u>

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)
Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. FINANCIAL INSTRUMENTS (CONT'D)

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.

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.

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)
Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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.

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****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:-

	Gross Amount USD	Collective Impairment USD	Carrying Amount USD
2019			
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	-	-	-
	544,584	(5,446)	539,138
2018			
Not past due	385,149	(3,852)	381,297
Past due:			
- less than 3 months	-	-	-
- 3 to 6 months	-	-	-
- more than 6 months	-	-	-
- more than 1 year	-	-	-
	385,149	(3,852)	381,297

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****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:-

	Gross Amount KHR'000	Collective Impairment KHR'000	Carrying Amount KHR'000
2019			
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	-	-	-
	2,219,180	(22,193)	2,196,987
2018			
Not past due	1,547,528	(15,477)	1,532,051
Past due:			
- less than 3 months	-	-	-
- 3 to 6 months	-	-	-
- more than 6 months	-	-	-
- more than 1 year	-	-	-
	1,547,528	(15,477)	1,532,051

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)
Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. FINANCIAL INSTRUMENTS (CONT'D)

21.3 CREDIT RISK (CONT'D)

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

	2019 USD	2018 USD	2019 KHR'000	2018 KHR'000
Credit risks exposures relating to on-balance sheet assets:				
Loans and advances	539,138	381,297	2,196,987	1,532,051
Other assets	8,027	7,525	32,710	30,236
	<u>547,165</u>	<u>388,822</u>	<u>2,229,697</u>	<u>1,562,287</u>

The table above represents the maximum credit risk exposure to the Company as at 31 December 2019, without taking into account any collateral held or other credit enhancements. 33% (2018: 22%) of the total maximum credit exposure is derived from loans and advances to customers in Cambodia.

- (e) Exposure to credit risk

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

Write-off policy

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

Collateral

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

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)
Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. FINANCIAL INSTRUMENTS (CONT'D)

21.3 CREDIT RISK (CONT'D)

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

Concentration of credit risk

The credit exposure of the Company as at 31 December 2019 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.

The Company has no material exposures to currency risk as it transactions 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 summarise the Company's exposure to interest rate risk which include assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****21. FINANCIAL INSTRUMENTS (CONT'D)**

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 %
Financial assets									
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	-
Total financial assets	13,789	-	-	148,720	376,5	119,363	974,281	1,632,382	
Financial liabilities									
Other liabilities	-	-	-	-	-	-	25,284	25,284	
Total financial liabilities	-	-	-	-	-	-	25,284	25,284	
Interest sensitivity gap 2019	13,789	-	-	148,720	376,501	119,363	999,565	1,657,938	

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****21. FINANCIAL INSTRUMENTS (CONT'D)**

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 %
Financial assets									
Cash on hand	-	-	-	-	-	-	1,200,985	1,200,985	-
Deposit and placement with banks	23,160	-	-	-	-	-	-	23,160	-
Loans and advances to customers:									
- Loan principal	-	-	-	63,479	321,670	-	-	385,149	9.6-18
- Provisions for loan losses	-	-	-	-	-	-	(3,852)	(3,852)	-
Statutory deposits	-	-	-	-	-	100,000	-	100,000	0.48
Other assets	-	-	-	-	-	-	7,525	7,525	-
Total financial assets	23,160	-	-	63,479	321,670	100,000	1,204,658	1,712,967	
Financial liabilities									
Other liabilities	-	-	-	-	-	-	23,608	23,608	-
Total financial liabilities	-	-	-	-	-	-	23,608	23,608	
Interest sensitivity gap 2018	23,160	-	-	63,479	321,670	100,000	1,228,266	1,736,575	

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****21. FINANCIAL INSTRUMENTS (CONT'D)**

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 %
Financial assets									
Cash on hand	-	-	-	-	-	-	3,956,878	3,956,878	-
Deposit and placement with NBC	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	-	-	-	-	-	-	35,510	35,510	-
Total financial assets	56,190	-	-	606,034	1,534,242	486,404	3,970,195	6,651,957	
Financial liabilities									
Other liabilities	-	-	-	-	-	-	103,032	103,032	-
Total financial liabilities	-	-	-	-	-	-	103,032	103,032	
Interest sensitivity gap 2019	56,190	-	-	606,034	1,534,242	486,404	4,073,227	6,756,097	

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****21. FINANCIAL INSTRUMENTS (CONT'D)**

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 %
Financial assets									
Cash on hand	-	-	-	-	-	-	4,825,558	4,825,558	-
Deposit and placement with banks	93,057	-	-	-	-	-	-	93,057	-
Loans and advances to customers:									
- Loan principal	-	-	-	255,059	1,292,470	-	-	1,547,528	9.6-18
- Provisions for loan losses	-	-	-	-	-	-	(15,477)	(15,477)	-
Statutory deposits	-	-	-	-	-	401,800	-	401,800	0.48
Other assets	-	-	-	-	-	-	30,236	30,236	-
Total financial assets	93,057	-	-	255,059	1,292,470	401,800	4,840,317	6,882,702	
Financial liabilities									
Other liabilities	-	-	-	-	-	-	94,857	94,857	-
Total financial liabilities	-	-	-	-	-	-	94,857	94,857	-
Interest sensitivity gap 2018	93,057	-	-	255,059	1,292,470	401,800	4,935,174	6,977,559	

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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):-

	Weighted Average Effective Interest Rate %	Carrying Amount USD	Contractual undiscounted cash flow USD	Within 1 Year USD	1 - 5 Years USD	Over 5 Years USD
<u>2019</u>						
<u>Non-derivative Financial Liabilities</u>						
Other liabilities	n/a	25,284	25,284	25,284	-	-
<u>2018</u>						
<u>Non-derivative Financial Liabilities</u>						
Other liabilities	n/a	23,608	23,608	23,608	-	-

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)

Company No: 00024896

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

21. FINANCIAL INSTRUMENTS (CONT'D)

21.5 LIQUIDITY RISK (CONT'D)

	Weighted Average Effective Interest Rate %	Carrying Amount USD	Contractual undiscounted cash flow USD	Within 1 Year USD	1 - 5 Years USD	Over 5 Years USD
<u>2019</u>						
<u>Non-derivative</u> <u>Financial</u>						
<u>Liabilities</u>						
Other liabilities	n/a	103,032	103,032	103,032	-	-
<hr/>						
<u>2018</u>						
<u>Non-derivative</u> <u>Financial</u>						
<u>Liabilities</u>						
Other liabilities	n/a	94,857	94,857	94,857	-	-
<hr/>						

PG DEVELOPMENT PLC.

(Incorporated in Cambodia)
Company No: 00024896

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. FINANCIAL INSTRUMENTS (CONT'D)

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.

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.

21.7 FAIR VALUE INFORMATION

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

22. TRANSITION TO THE CIFRS FOR SMES FRAMEWORK

As stated in Note 3 to the financial statements, this is the first set of financial statements of the Company prepared in accordance with CIFRS for SMEs. The accounting policies in Note 4 to the financial statements have been applied to all financial information covered under this set of financial statements.

In preparing the opening CIFRS for SMEs statement of financial position at 1 January 2018 (date of transition), there is no material adjustment for the previously report in financial statements prepared in accordance with CAS.

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)

PG DEVELOPMENT PLC.

APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES ON COMPLIANCE WITH THE NBC'S PRAKAS FOR THE YEAR ENDED 31 DECEMBER 2019 (this does not form part of the audited financial statements)

NET WORTH

In accordance with the NBC's Prakas No. B7-00-47 dated 16 February 2000 and amended by Prakas No. B7-07-132 dated 27 August 2007; the Company should maintain a permanent net worth value to at least equal to its minimum capital requirement. The Company's net worth as at 31 December 2019 is computed as follows:

	2019 USD	2018 USD	2019 KHR'000	2018 KHR'000
CATEGORY A ITEM: ITEMS TO BE ADDED				
Capital or endowment	2,000,000	2,000,000	8,000,000	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	-	-	-	-
SUBTOTAL A	2,000,000	2,000,000	8,000,000	8,036,000
CATEGORY B ITEM: ITEMS TO BE DEDUCTED				
for shareholders, directors, managers and their next of kind	-	-	-	-
<ul style="list-style-type: none"> • unpaid portion of capital • advances, loans, security and the agreement of the persons concerned as defined above 	(66,258)	-	(270,001)	-
Holding of own shares at their book value	-	-	-	-
Accumulated losses	(222,911)	-	(901,674)	-
Formation expenses	-	-	-	-
Loss determined on dates other than year End	(123,567)	(222,911)	(500,694)	(895,656)
SUBTOTAL B	(412,736)	(222,911)	(1,672,369)	(895,656)
C. BASE NET WORTH (A – B)	1,587,264	1,777,089	6,327,631	7,140,344
CATEGORY D ITEMS: ITEMS TO BE ADDED				
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	-	-	-	-
SUBTOTAL D	-	-	-	-
Equity participation in banking or financial institutions	-	-	-	-
Other items : Deferred charges	-	-	-	-
SUBTOTAL E	-	-	-	-
F. TOTAL NET WORTH (C+D-E)	1,587,264	1,777,089	6,327,631	7,140,344

PG DEVELOPMENT PLC.

APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES ON COMPLIANCE WITH THE NBC'S PRAKAS FOR THE YEAR ENDED 31 DECEMBER 2019 (this does not form part of the audited financial statements)

SOLVENCY RATIO

In accordance with the NBC's Prakas No. B7-00-06 dated 11 January 2000 and amended by Prakas No. B7-07-133 dated 27 August 2007; all micro-finance institutions shall observe a solvency ratio which is the ratio of their net worth to their aggregate credit risk exposure. The result found shall not be less than 15 percent. As at 31 December 2019, the solvency ratio of the Company is 300.73%.

	Weighting	2019 USD	2018 USD	2019 KHR'000	2018 KHR'000
NUMERATOR					
A. Net worth as at 31 December		1,587,264	1,777,089	6,327,631	7,140,344
DENOMINATOR					
Cash in hand	0%	-	-	-	-
Gold	0%	-	-	-	-
Deposits with the NBC	0%	-	-	-	-
Assets collateralized by deposits lodged with the bank	0%	-	-	-	-
Claims on sovereign rated AAA to AA-	0%	-	-	-	-
Claims on sovereign rated A+ to A-	20%	-	-	-	-
Claims on bank rated AAA to AA-	20%	-	-	-	-
Claims on bank rated BBB+ to BBB-	50%	-	-	-	-
Claims on bank rated A+ to A-	50%	-	-	-	-
Other assets	100%	527,808	476,602	2,150,818	1,914,987
Off-balance sheet items	0%	-	-	-	-
B TOTAL RISK WEIGHTED ASSETS		527,808	476,602	2,150,818	1,914,987
SOLVENCY RATIO (A/B)		300.73%	372.87%	300.73%	372.87%

PG DEVELOPMENT PLC.

APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES ON COMPLIANCE WITH THE NBC'S PRAKAS FOR THE YEAR ENDED 31 DECEMBER 2019 (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.

	2019 USD	2018 USD	2019 KHR'000	2018 KHR'000
I. NUMERATOR: LIQUID ASSET(A)				
1. Treasury balance				
- Debit items				
Cash in hand	971,013	1,200,985	3,956,878	4,825,558
Deposits with the NBC (excluding statutory deposit and reserve)	13,789	23,160	56,190	93,057
Deposits with banks	-	-	-	-
Balance with wallet agents	-	-	-	-
Portion of lending to bank and FI with maturity up to one month	-	-	-	-
Portion of lending to customers up to one month to run	-	-	-	-
	984,802	1,224,145	4,013,068	4,918,615
Less:				
- 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	-	-	-	-
	-	-	-	-
Net balance – Lender position	984,802	1,224,145	4,013,068	4,918,615
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	-	-	-	-
	-	-	-	-
TOTAL NUMERATOR (A)	984,802	1,224,145	4,013,068	4,918,615
II. DENOMINATOR: ADJUSTED AMOUNT OF DEPOSIT (B)				
Voluntary saving at 25%	-	-	-	-
III. LIQUIDITY RATIO (A/B)	NOT APPLICABLE			

PG DEVELOPMENT PLC.

APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES ON COMPLIANCE WITH THE NBC'S PRAKAS FOR THE YEAR ENDED 31 DECEMBER 2019 (this does not form part of the audited financial statements)

CLASSIFICATION OF ON LOANS AND ADVANCES LOANS AS AT 31 DECEMBER 2019

	OUTSTANDING PRINCIPAL LOAN		ALLOWANCE FOR IMPAIRMENT LOSS ON LOANS AND ADVANCES AS REQUIRED BY NATIONAL BANK OF CAMBODIA
	USD	RATE	USD
AS AT 31 DECEMBER 2019			
1. Loan of one year or less			
Standard	148,720	1%	1,487
Special mention	-	3%	-
Sub-standard	-	20%	-
Doubtful	-	50%	-
Loss	-	100%	-
	A		1,487
Equivalent to KHR'000	606,034		6,068
2. Loan of more than one year			
Standard	395,864	1%	3,957
Special mention	-	3%	-
Sub-standard	-	20%	-
Doubtful	-	50%	-
Loss	-	100%	-
	B		3,957
Equivalent to KHR'000	1,613,146		16,125
TOTAL	C = A+B		5,446
Equivalent to KHR'000	2,219,180		22,193

APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES ON COMPLIANCE WITH THE NBC'S PRAKAS FOR THE YEAR ENDED 31 DECEMBER 2019
(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	1,591,012	(1,678,868)	(87,856)	5.54%	20%	No
KHR	87,856	-	87,856	5.54%	20%	No
Grand total	1,678,868	1,678,868	-			

Net worth: USD1,587,264