

**Y.L.P MICROFINANCE PLC.**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**AND**  
**REPORT OF THE INDEPENDENT AUDITORS**

## Corporate Information

Company: Y.L.P Microfinance Plc.

Registration No: 00049265

Registered office: No 668, National Road No 5, Phum Kourothan,  
Sangkat Ou Ambel, Krong Serei Saophoan,  
Banteay Meanchey province, Kingdom of Cambodia

Shareholders: Mrs. Mao Malay  
Mr. Ke Soun Sophea  
Mrs. Ke Soun Sophy  
Mrs. Prom Ratha  
Ms. Chhoeun Vipha

Board of Directors:	Mrs. Mao Malay	Chairwoman
	Mr. Ke Suon Sophea	Director
	Mrs. Ke Suon Sophy	Director
	Mrs. Prom Ratha	Director
	Mr. Kon Rotha	Independent director (Resigned on 27 December 2022)

Principal Bankers: National Bank of Cambodia  
ACLEDA Bank Plc.

Auditors: Fii&Associates Co., Ltd.

## Y.L.P Microfinance Plc.

### Contents

	<b>Page</b>
1. Report of the Board of Directors	1
2. Report of the Independent Auditors	5
3. Statement of financial position	8
4. Statement of comprehensive income	9
5. Statement of changes in equity	10
6. Statement of cash flows	11
7. Notes to the financial statements	12

## Report of the Board of Directors

The Board of Directors (the “Board” or “Directors”) hereby submit their report together with the audited financial statements of Y.L.P Microfinance Plc. (“the Company”) for the year ended 31 December 2022 (the “financial year” or “year”).

### Principal activities

The Company is principally engaged in providing micro-financial services and other related financial services within the scope of micro-finance license in Cambodia.

### Financial performance

The financial performance of the Company was as follows:

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Loss before income tax	(417,209)	(1,705,133)	(65,768)	(267,544)
Income tax expense	-	-	-	-
Net loss for the year	<u>(417,209)</u>	<u>(1,705,133)</u>	<u>(65,768)</u>	<u>(267,544)</u>

### Dividends

No dividend was declared or paid and the Directors do not recommend any dividend to be paid during the financial year.

### Share capital

The paid-up capital of the Company as at 31 December 2022 is US\$1,500,000 (2021: US\$1,500,000) with a par value US\$1,500 per share. Refer to Note 14 for the detailed share capital and shareholding structure.

### Reserves and provisions

There were no material transfers to or from reserves and provision during the financial year other than amount as disclosed in the financial statements.

### Bad and doubtful debts

Before the financial statements of the Company were prepared, Directors took reasonable steps to ascertain that action has been taken in relation to the write off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that there were no known bad debts and that allowance need not be made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render it necessary to write off bad debts or to make allowance for doubtful debts in the financial statements of the Company, inadequate to any material extent.



## **Y.L.P Microfinance Plc.**

### **Report of the Board of Directors (continued)**

#### **Current assets**

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances that have arisen the value attributed to the current assets in the financial statements of the Company misleading.

#### **Valuation methods**

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

#### **Contingent liabilities**

At the date of this report, there does not exist:

- (i) Any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) Any contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of its business operations.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable, within the period of 12 months after the end of the financial period which, in the opinion of the Directors, will or may substantially affect the liability of the Company to meet its obligations when they fall due.

#### **Changes of circumstances**

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

#### **Items of an unusual nature**

The results of the operations of the Company for the financial year were not, in the opinion of the Directors, materially affected by any items, transactions or event of material and unusual nature.

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

#### **Events since the reporting date**

At the date of this report, except as disclosed in the financial statements, there have been no significant events occurring after the reporting date which would require adjustments or disclosures to be made in the financial statements.

## Y.L.P Microfinance Plc.

### Report of the Board of Directors (continued)

#### The Board of Directors

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

Mrs. Mao Malay	Chairwoman
Mr. Ke Suon Sophea	Director
Mrs. Ke Suon Sophy	Director
Mrs. Prom Ratha	Director
Mr. Kon Rotha	Independent director (Resigned on 27 December 2022)

#### Directors' interests

The Directors' interest is disclosed in Note 14 of the financial statements.

#### Directors' benefits

During and at the end of the financial year, no arrangement subsisted to which the Company is a party with the object of enabling Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Directors of the Company have received or become entitled to receive benefit (other than benefit included in the aggregate amount of emoluments received or due and receivable by Directors) by reason of a contract made by the Company with the Directors or firm of which the director is member, or a Company in which the Directors has a substantial financial interest, other than as disclosed in the financial statements.

#### Statements of Directors' responsibility in respect of financial statements

The Board of Directors is responsible to ascertain that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs").

In preparing those financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with CIFRS for SMEs or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) oversee the Company's financial reporting process and maintain adequate accounting records and effective system of internal control;
- (iv) assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so; and
- (v) effectively control and direct the Company in all material decisions affecting the operations and performance and ascertain that such has been properly reflected in the financial statements.

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



**Y.L.P Microfinance Plc.**

**Report of the Board of Directors (continued)**

**Approval of the financial statements**

The Board of Directors hereby approve the accompanying financial statements as set out on pages 8 to 37 which present fairly, in all material respects, the financial position of Y.L.P Microfinance Plc. As at 31 December 2022, and its financial performance and its cash flows for the year then ended, in accordance with CIFRS for SMEs.

*Signed in accordance with a resolution of the Board of Directors.* 



Mrs. Mao Malay  
*Chairwoman*

Banteay Meanchey province, Kingdom of Cambodia  
29 May 2023

## Report of the Independent Auditors

To the shareholders  
Y.L.P Microfinance Plc.

### Qualified Opinion

We have audited the financial statements of Y.L.P Microfinance Plc. (the “Company”), which comprise the statement of financial position as at 31 December 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 8 to 37.

In our opinion, except for the possible effects of the matters described in the “Basis for Qualified Opinion” section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRS for SMEs”).

### Basis for Qualified Opinion

The financial statements of the Company prior to 2022 have never been audited. We were unable to satisfy ourselves as to the completeness, existence and accuracy of the Company’s accumulated losses as at 1 January 2022 amounting to US\$64,834. Any adjustments to these amounts would have material impacts on the current year’s figures reported in the statements of financial position, comprehensive income, changes in equity and cash flows as at and for the year ended 31 December 2022.

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

### Other Matter

We draw attention to the fact that we have not audited the accompanying financial statements of the Company as at and for the year ended 31 December 2021, or any of the related notes and accordingly, we do not express an opinion on them.





## Report of the Independent Auditors (continued)

To the shareholders  
Y.L.P Microfinance Plc.

### Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the information included in the Report of the Board of Directors as set out on pages 1 to 4, and the annual report, which is expected to be made available to us after that date.

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

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

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

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

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

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

### Auditors' Responsibility for the Audit of the Financial Statements

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



## Report of the Independent Auditors (continued)

To the shareholders

Y.L.P Microfinance Plc.


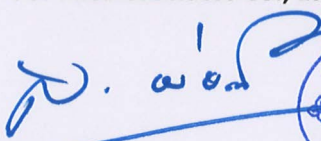
### Auditors' Responsibility for the Audit of the Financial Statements (continued)

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

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

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

For Fii&Associates Co., Ltd.



Seng Chanthan  
Audit Partner

Phnom Penh, Kingdom of Cambodia  
29 May 2023

**Y.L.P Microfinance Plc.**

**Statement of financial position  
As at 31 December 2022**

	Note	2022		2021 (Unaudited)	
		US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
<b>ASSETS</b>					
Cash on hand	4	118,817	489,170	-	-
Deposits and placements with the NBC	5	75,728	311,772	1,500,971	6,114,956
Deposits and placements with banks	6	110,614	455,398	-	-
Loans to customers	7	6,009,472	24,740,996	-	-
Other assets	8	47,891	197,167	31,364	127,777
Property and equipment	9	241,098	992,600	94,908	386,655
Intangible assets	10	31,438	129,430	19,250	78,425
<b>TOTAL ASSETS</b>		<b>6,635,058</b>	<b>27,316,533</b>	<b>1,646,493</b>	<b>6,707,813</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
Other payables	11	122,799	505,563	1,495	6,091
Minimum tax liability	12.1	823	3,388	-	-
Borrowings from shareholders	13	5,493,479	22,616,653	209,832	854,856
<b>Total liabilities</b>		<b>5,617,101</b>	<b>23,125,604</b>	<b>211,327</b>	<b>860,947</b>
<b>EQUITY</b>					
Share capital	14	1,500,000	6,000,000	1,500,000	6,000,000
Regulatory reserves	15	-	-	-	-
Accumulated losses		(482,043)	(1,968,899)	(64,834)	(263,766)
Currency translation differences		-	159,828	-	110,632
<b>Total equity</b>		<b>1,017,957</b>	<b>4,190,929</b>	<b>1,435,166</b>	<b>5,846,866</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6,635,058</b>	<b>27,316,533</b>	<b>1,646,493</b>	<b>6,707,813</b>

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

**Y.L.P Microfinance Plc.**

**Statement of comprehensive income  
For the year ended 31 December 2022**

	Note	2022		2021 (Unaudited)	
		US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Interest income	16	305,412	1,248,219	37	151
Interest expense	17	(28,035)	(114,579)	-	-
<b>Net interest income</b>		<u>277,377</u>	<u>1,133,640</u>	<u>37</u>	<u>151</u>
Other income		200	817	-	-
<b>Total operating income</b>		<u>277,577</u>	<u>1,134,457</u>	<u>37</u>	<u>151</u>
Impairment losses on loans to customers	7	(84,094)	(343,692)	-	-
Depreciation and amortisation		(39,332)	(160,750)	(147)	(598)
General and administrative expenses	18	(568,060)	(2,321,661)	(65,658)	(267,097)
Minimum tax expense	12.2	(3,300)	(13,487)	-	-
<b>Loss before income tax</b>		<u>(417,209)</u>	<u>(1,705,133)</u>	<u>(65,768)</u>	<u>(267,544)</u>
Income tax expense	12.2	-	-	-	-
<b>Net loss for the year</b>		<u>(417,209)</u>	<u>(1,705,133)</u>	<u>(65,768)</u>	<u>(267,544)</u>
<b>Other comprehensive income</b>					
Currency translation difference		-	49,196	-	110,632
<b>Total comprehensive loss for the year</b>		<u>(417,209)</u>	<u>(1,655,937)</u>	<u>(65,768)</u>	<u>(156,912)</u>

The accompanying notes form an integral part of these financial statements

**Y.L.P Microfinance Plc.**

**Statement of changes in equity  
For the year ended 31 December 2022**

	Share capital		Accumulated losses		Currency translation differences		Total	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
At 1 January 2021 (Unaudited)	1,500,000	6,000,000	934	3,778	-	-	1,500,934	6,003,778
<b>Comprehensive loss for the year</b>								
Net loss for the year	-	-	(65,768)	(267,544)	-	-	(65,768)	(267,544)
<i>Other comprehensive income</i>								
Currency translation difference	-	-	-	-	-	110,632	-	110,632
<b>Total comprehensive loss for the year</b>	-	-	(65,768)	(267,544)	-	110,632	(65,768)	(156,912)
<b>At 31 December 2021 (Unaudited)</b>	<b>1,500,000</b>	<b>6,000,000</b>	<b>(64,834)</b>	<b>(263,766)</b>	<b>-</b>	<b>110,632</b>	<b>1,435,166</b>	<b>5,846,866</b>
<b>At 1 January 2022</b>	<b>1,500,000</b>	<b>6,000,000</b>	<b>(64,834)</b>	<b>(263,766)</b>	<b>-</b>	<b>110,632</b>	<b>1,435,166</b>	<b>5,846,866</b>
<b>Comprehensive loss for the year</b>								
Net loss for the year	-	-	(417,209)	(1,705,133)	-	-	(417,209)	(1,705,133)
<i>Other comprehensive income</i>								
Currency translation difference	-	-	-	-	-	49,196	-	49,196
<b>Total comprehensive loss for the year</b>	-	-	(417,209)	(1,705,133)	-	49,196	(417,209)	(1,655,937)
<b>At 31 December 2022</b>	<b>1,500,000</b>	<b>6,000,000</b>	<b>(482,043)</b>	<b>(1,968,899)</b>	<b>-</b>	<b>159,828</b>	<b>1,017,957</b>	<b>4,190,929</b>

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

## Y.L.P Microfinance Plc.

### Statement of cash flows For the year ended 31 December 2022

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
<b>Cash flows from operating activities</b>				
Net loss for the year	(417,209)	(1,705,133)	(65,768)	(267,544)
<i>Adjustments for:</i>				
Minimum tax expense	3,300	13,487	-	-
Impairment losses on loans to customers	84,094	343,692	-	-
Depreciation and amortisation	39,332	160,750	147	598
	(290,483)	(1,187,204)	(65,621)	(266,946)
<i>Changes in:</i>				
Loans to customers	(6,093,566)	(24,904,404)	-	-
Other assets	(16,527)	(67,546)	(31,363)	(127,585)
Other payables	121,304	495,769	1,494	6,078
<b>Cash used in operations</b>	(6,279,272)	(25,663,385)	(95,490)	(388,453)
Interest income received	-	-	934	3,800
Minimum tax paid	(2,477)	(10,123)	-	-
<b>Net cash used in operating activities</b>	(6,281,749)	(25,673,508)	(94,556)	(384,653)
<b>Cash flows from investing activities</b>				
Purchases of property and equipment	(178,460)	(729,366)	(95,055)	(386,684)
Purchases of intangible assets	(19,250)	(78,675)	(19,250)	(78,309)
<b>Net cash used in investing activities</b>	(197,710)	(808,041)	(114,305)	(464,993)
<b>Cash flows from financing activities</b>				
Capital guarantee deposit	-	-	(75,000)	(305,100)
Proceeds from borrowings	5,444,647	22,252,272	209,832	853,597
Repayment of borrowings	(161,000)	(658,007)	-	-
<b>Net cash generated from financing activities</b>	5,283,647	21,594,265	134,832	548,497
<b>Net decrease in cash and cash equivalents</b>	(1,195,812)	(4,887,284)	(74,029)	(301,149)
Cash and cash equivalents at 1 January	1,425,971	5,809,406	1,500,000	6,112,500
Currency translation difference	-	25,443	-	(1,945)
<b>Cash and cash equivalents at 31 December (Note 19)</b>	230,159	947,565	1,425,971	5,809,406

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

## **Y.L.P Microfinance Plc.**

### **Notes to the financial statements For the year ended 31 December 2022**

#### **1. Reporting entity**

Y.L.P Microfinance Plc. (“the Company”) was incorporated as a public limited company in the Kingdom of Cambodia under registration number 00049265 issued by the Ministry of Commerce on 20 November 2019. On 27 March 2020, the Company obtained license from the National Bank of Cambodia (“the Central Bank” or “the NBC”) to operate as a micro-finance institution.

The Company is principally engaged in the provision of micro-finance services and other related financial services within the scope of micro-finance license in Cambodia.

The registered office of the Company is No 668, National Road No 5, Phum Kourothan, Sangkat Ou Ambel, Krong Serei Sophoan, Banteay Meanchey Province, Kingdom of Cambodia.

As at 31 December 2022, the Company has three branches.

As at 31 December 2022, the Company had 78 employees (2021: 21 employees).

#### **2. Basis of preparation**

##### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRS for SMEs”).

Details of the Company’s significant accounting policies are included in Note 23.

These financial statements were approved by the Board of Directors and authorised for issue on 29 May 2023.

##### **2.2 Fiscal year and reporting period**

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

##### **2.3 Basis of measurement**

The financial statements have been prepared on the historical cost basis.

##### **2.4 Functional and presentation currency**

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Company transacts its business and maintains its accounting records in two currencies, United States Dollars (“US\$”) and (“KHR”). The Management has determined the US\$ to be the Company’s functional as it reflects the economic substance of the underlying events and circumstances of the Company.

The financial statements are stated in US\$, which is the Company’s functional currency. All amounts have been rounded to the nearest dollars, unless otherwise indicated.

## Y.L.P Microfinance Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2022

#### 2. Basis of preparation (continued)

##### 2.4 Functional and presentation currency (continued)

The translations of US\$ amounts into KHR are included solely for meeting the presentation requirements pursuant to the Law on Accounting and Auditing.

Assets and liabilities are translated at the closing rate as at the reporting date, and the share capital is translated at the historical rate. The statements of comprehensive income and cash flows are translated into KHR using the average rate for the year. Exchange differences arising from the translation are recognised as “currency translation difference” in the other comprehensive income. The accumulative currency translation differences are recognised as a separate component of equity. All values in KHR are rounded to the nearest thousand (“KHR’000”), except if otherwise indicated.

The Company uses the following exchange rates:

Reporting date	Closing rate	Average rate
31 December 2022	US\$1 = KHR4,117	US\$1 = KHR4,087
31 December 2021	US\$1 = KHR4,074	US\$1 = KHR4,068

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

##### 2.5 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment for the year ended 31 December 2022 is set out in Note 3 - Critical accounting estimates and judgements.



## Y.L.P Microfinance Plc.

### Notes to the financial statements (continued)

#### For the year ended 31 December 2022

### 3. Critical accounting estimates and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of failure events that are believed to be reasonable under the circumstances. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### 3.1 Income and other taxes

Taxes are calculated on the basis of current interpretation of the tax obligations. However, these regulations are subject to periodic variation and different interpretation following inspection by the tax authorities. These may result in tax increase and other retroactive tax claims. It is difficult to predict the timing and severity of these occurrences or their potential effect.

#### 3.2 Property and equipment

Accounting for property and equipment involves the use of estimates for determining the expected useful lives of these assets. The determination of useful lives of the assets is based on management's judgement.

#### 3.3 Allowance for doubtful debts

Management establishes allowance for doubtful debts on a case-by-case basis when they believe collection of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial condition of customer were deteriorating, resulting in inability to make the required payments, allowance may be required to be made for such receivable.

### 4. Cash on hand

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
US Dollars	106,803	439,708	-	-
Khmer Riels	12,014	49,462	-	-
	<u>118,817</u>	<u>489,170</u>	<u>-</u>	<u>-</u>

## Y.L.P Microfinance Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2022

#### 5. Deposits and placements with the NBC

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Capital guarantee (*)	75,000	308,775	75,000	305,550
Current account	728	2,997	1,425,971	5,809,406
	<u>75,728</u>	<u>311,772</u>	<u>1,500,971</u>	<u>6,114,956</u>

(\*) The capital guarantee deposit is maintained with the NBC in compliance with Prakas No. B7-00-006 on the Licensing of Micro-finance Institution dated 11 January 2000, the amounts of which are determined at 5% of the Company's registered share capital. The guarantee deposit is refundable when the Company voluntarily liquidates and has no deposit liabilities.

The capital guarantee deposit earns interest at the rate of 0.37% per annum. Current account is non-interest bearing.

#### 6. Deposits and placements with banks

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Current accounts	<u>110,614</u>	<u>455,398</u>	-	-

Current accounts are non-interest bearing.

#### 7. Loans to customers

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Loans to customers at amortised costs	6,093,566	25,087,211	-	-
Less: impairment loss allowance	<u>(84,094)</u>	<u>(346,215)</u>	-	-
	<u>6,009,472</u>	<u>24,740,996</u>	-	-

**Y.L.P Microfinance Plc.**

**Notes to the financial statements (continued)  
For the year ended 31 December 2022**

**7. Loans to customers (continued)**

Movements of impairment loss allowances are as follows:

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
At 1 January	-	-	-	-
Allowance for the year	84,094	343,692	-	-
Currency translation difference	-	2,523	-	-
At 31 December	84,094	346,215	-	-

Gross loans to customers are analysed as follows:

**(a) By collateral:**

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Secured	5,454,498	22,456,168	-	-
Unsecured	639,068	2,631,043	-	-
	6,093,566	25,087,211	-	-

**(b) By residency status:**

All loans are granted solely to residents.

**(c) By economic sector:**

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Trade and Commerce	1,502,172	6,184,442	-	-
Household/Family	1,428,175	5,879,796	-	-
Agriculture	1,183,626	4,872,988	-	-
Services	1,030,587	4,242,927	-	-
Construction	758,924	3,124,490	-	-
Transportation	68,716	282,904	-	-
Other categories	121,366	499,664	-	-
	6,093,566	25,087,211	-	-

**Y.L.P Microfinance Plc.**

**Notes to the financial statements (continued)  
For the year ended 31 December 2022**

**7. Loans to customers (continued)**

Gross loans to customers are analysed as follows (continued):

**(d) By maturity:**

	<b>2022</b>		<b>2021 (Unaudited)</b>	
	<b>US\$</b>	<b>KHR'000 (Note 2.4)</b>	<b>US\$</b>	<b>KHR'000 (Note 2.4)</b>
Within 1 year	197,833	814,478	-	-
1 to 5 years	1,756,115	7,229,925	-	-
More than 5 years	4,139,618	17,042,808	-	-
	<u>6,093,566</u>	<u>25,087,211</u>	<u>-</u>	<u>-</u>

**(e) By currency:**

	<b>2022</b>		<b>2021 (Unaudited)</b>	
	<b>US\$</b>	<b>KHR'000 (Note 2.4)</b>	<b>US\$</b>	<b>KHR'000 (Note 2.4)</b>
US Dollars	4,477,801	18,435,107	-	-
Khmer Riel	1,615,765	6,652,104	-	-
	<u>6,093,566</u>	<u>25,087,211</u>	<u>-</u>	<u>-</u>

**(f) By relationship:**

	<b>2022</b>		<b>2021 (Unaudited)</b>	
	<b>US\$</b>	<b>KHR'000 (Note 2.4)</b>	<b>US\$</b>	<b>KHR'000 (Note 2.4)</b>
External customers	<u>6,093,566</u>	<u>25,087,211</u>	<u>-</u>	<u>-</u>

**(g) By interest rates (per annum):**

	<b>2022</b>	<b>2021 (Unaudited)</b>
Khmer Riels	12.00% - 15.00%	
US Dollars	11.40% - 18.00%	

**Y.L.P Microfinance Plc.**

**Notes to the financial statements (continued)  
For the year ended 31 December 2022**

**8. Other assets**

	<b>2022</b>		<b>2021 (Unaudited)</b>	
	<b>US\$</b>	<b>KHR'000 (Note 2.4)</b>	<b>US\$</b>	<b>KHR'000 (Note 2.4)</b>
Deposits	23,672	97,458	29,518	120,256
Prepayments	11,898	48,984	1,254	5,109
Amounts due from related parties (Note 20.2)	11,513	47,399	-	-
Others	808	3,326	592	2,412
	<u>47,891</u>	<u>197,167</u>	<u>31,364</u>	<u>127,777</u>

**Y.L.P Microfinance Plc.**

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2022**

**9. Property and equipment**

2022	Furniture and fixtures US\$	Office equipment US\$	IT and Computer equipment US\$	Motor vehicles US\$	Construction in progress US\$	Total US\$	KHR'000 (Note 2.4)
<b>Cost</b>							
At 1 January 2022	14,080	2,980	649	-	77,346	95,055	387,254
Additions	8,800	57,762	107,518	4,380	-	178,460	729,366
Transfers	-	2,458	74,888		(77,346)	-	-
Currency translation difference	-	-	-	-	-	-	9,441
At 31 December 2022	<u>22,880</u>	<u>63,200</u>	<u>183,055</u>	<u>4,380</u>	<u>-</u>	<u>273,515</u>	<u>1,126,061</u>
<b>Less: Accumulated depreciation</b>							
At 1 January 2022	15	119	13	-	-	147	599
Charge for the year	3,113	11,159	17,730	268	-	32,270	131,887
Currency translation difference	-	-	-	-	-	-	975
At 31 December 2022	<u>3,128</u>	<u>11,278</u>	<u>17,743</u>	<u>268</u>	<u>-</u>	<u>32,417</u>	<u>133,461</u>
<b>Carrying amounts</b>							
At 31 December 2022	<u>19,752</u>	<u>51,922</u>	<u>165,312</u>	<u>4,112</u>	<u>-</u>	<u>241,098</u>	<u>992,600</u>

**Y.L.P Microfinance Plc.**

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2022**

**9. Property and equipment (continued)**

2021 (Unaudited)	Furniture and fixtures US\$	Office equipment US\$	IT and Computer equipment US\$	Construction in progress US\$	Total US\$	KHR'000 (Note 2.4)
<b>Cost</b>						
At 1 January 2021	-	-	-	-	-	-
Additions	14,080	2,980	649	77,346	95,055	386,684
Currency translation difference	-	-	-	-	-	570
At 31 December 2021	14,080	2,980	649	77,346	95,055	387,254
<b>Less: Accumulated depreciation</b>						
At 1 January 2021	-	-	-	-	-	-
Charge for the year	15	119	13	-	147	598
Currency translation difference	-	-	-	-	-	1
At 31 December 2021	15	119	13	-	147	599
<b>Carrying amounts</b>						
At 31 December 2021	14,065	2,861	636	77,346	94,908	386,655

**Y.L.P Microfinance Plc.**

**Notes to the financial statements (continued)  
For the year ended 31 December 2022**

**10. Intangible assets**

2022	Software	Software	Total	
	US\$	development US\$	US\$	KHR'000 (Note 2.4)
<b>Cost</b>				
At 1 January 2022	-	19,250	19,250	78,425
Additions	19,250	-	19,250	78,675
Transfers	19,250	(19,250)	-	-
Currency translation difference	-	-	-	1,405
At 31 December 2022	38,500	-	38,500	158,505
<b>Less: Accumulated amortisation</b>				
At 1 January 2022	-	-	-	-
Charge for the year	7,062	-	7,062	28,862
Currency translation difference	-	-	-	213
At 31 December	7,062	-	7,062	29,075
<b>Carrying amounts</b>				
At 31 December 2022	31,438	-	31,438	129,430
<b>2021 (Unaudited)</b>				
	Software		Total	
	development US\$		US\$	KHR'000 (Note 2.4)
<b>Cost</b>				
At 1 January 2021	-	-	-	-
Additions	19,250	19,250	78,309	
Currency translation difference	-	-	116	
At 31 December 2021	19,250	19,250	78,425	
<b>Less: Accumulated amortisation</b>				
At 1 January 2021	-	-	-	-
Charge for the year	-	-	-	-
Currency translation difference	-	-	-	-
At 31 December 2021	-	-	-	-
<b>Carrying amounts</b>				
At 31 December 2021	19,250	19,250	78,425	



## Y.L.P Microfinance Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2022

#### 11. Other payables

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Tax payables	3,972	16,353	519	2,114
Other accrued expenses	17,958	73,933	385	1,568
Other payables	100,869	415,277	591	2,409
	<u>122,799</u>	<u>505,563</u>	<u>1,495</u>	<u>6,091</u>

#### 12. Income tax

##### 12.1 Minimum tax liability

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
At 1 January	-	-	-	-
Minimum tax expense	3,300	13,487	-	-
Minimum tax paid	(2,477)	(10,123)	-	-
Currency translation difference	-	24	-	-
At 31 December	<u>823</u>	<u>3,388</u>	<u>-</u>	<u>-</u>

##### 12.2 Minimum tax expense/Income tax expense

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

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Minimum tax expense	<u>3,300</u>	<u>13,487</u>	<u>-</u>	<u>-</u>

## Y.L.P Microfinance Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2022

#### 12. Income tax (continued)

##### 12.2 Minimum tax expense/Income tax expense (continued)

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

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Loss before income tax	(417,209)	(1,705,133)	(65,768)	(267,544)
Income tax using income tax rate at 20%	(83,442)	(341,027)	(13,154)	(53,509)
Non-deductible expenses	5,588	22,838	-	-
Unrecognised tax loss	77,854	318,189	13,154	53,509
Income tax expense	-	-	-	-

The calculation of taxable income is subject to the review and approval of the tax authorities.

#### 13. Borrowings from shareholders

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Principal outstanding (Note 20.2)	5,485,404	22,583,408	209,832	854,856
Accrued interest payable	8,075	33,245	-	-
	5,493,479	22,616,653	209,832	854,856

Movement of outstanding principal borrowings are as follows:

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
At 1 January	209,832	854,856	-	-
Additions	5,436,572	22,219,270	209,832	853,597
Repayment	(161,000)	(658,007)	-	-
Currency translation difference	-	167,289	-	1,259
At 31 December	5,485,404	22,583,408	209,832	854,856

## Y.L.P Microfinance Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2022

#### 13. Borrowings from shareholders (continued)

The above borrowings are analysed as follows:

##### (a) By maturity:

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Current	1,485,404	6,115,408	209,832	854,856
Non-current	4,000,000	16,468,000	-	-
	<u>5,485,404</u>	<u>22,583,408</u>	<u>209,832</u>	<u>854,856</u>

Borrowings from related parties are unsecured, bear interest rate range from 0% to 3% (2021: nil) per annum. The borrowings were drawn down on the agreement date and will be repaid on maturity date.

#### 14. Share capital

	2022			2021 (Unaudited)		
	Number	US\$	KHR'000 (Note 2.4)	Number	US\$	KHR'000 (Note 2.4)
Registered:						
Ordinary shares of US\$1,500 each	<u>1,000</u>	<u>1,500,000</u>	<u>6,000,000</u>	<u>1,000</u>	<u>1,500,000</u>	<u>6,000,000</u>
Paid-up:						
Ordinary shares of US\$1,500 each	<u>1,000</u>	<u>1,500,000</u>	<u>6,000,000</u>	<u>1,000</u>	<u>1,500,000</u>	<u>6,000,000</u>

The shareholding structure of the Company is as follows:

	2022			2021 (Unaudited)		
	% of ownership	Number of shares	Amount US\$	% of ownership	Number of shares	Amount US\$
Mrs. Mao Malay	40%	400	600,000	40%	400	600,000
Mr. Ke Soun Sophea	15%	150	225,000	15%	150	225,000
Mrs. Ke Soun Sophy	15%	150	225,000	15%	150	225,000
Mrs. Prom Ratha	15%	150	225,000	15%	150	225,000
Ms. Chhoeun Vipha	15%	150	225,000	15%	150	225,000
	<u>100%</u>	<u>1,000</u>	<u>1,500,000</u>	<u>100%</u>	<u>1,000</u>	<u>1,500,000</u>

## Y.L.P Microfinance Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2022

#### 15. Regulatory reserves

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

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Impairment on credit facilities required by the NBC:				
- Deposits and placements with banks	1,117	4,599	-	-
- Loans to customers	61,256	252,191	-	-
Impairment loss on financial assets under the NBC (Note 7)	62,373	256,790	-	-
Impairment loss on financial assets under CIFRS for SMEs	84,094	346,215	-	-
	-	-	-	-

#### 16. Interest income

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Loans to customers	305,137	1,247,095	-	-
Balances with the NBC and other banks	275	1,124	37	151
	305,412	1,248,219	37	151

#### 17. Interest expense

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Interest expense (Note 20.1)	28,035	114,579	-	-

**Y.L.P Microfinance Plc.**

**Notes to the financial statements (continued)  
For the year ended 31 December 2022**

**18. General and administrative expenses**

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Employee salaries and benefits	290,521	1,187,359	31,823	129,456
Rental fees	38,309	156,569	1,000	4,068
License fees	28,380	115,989	600	2,441
Security expense	23,076	94,312	-	-
Low value assets	22,855	93,408	27,474	111,764
Repairs and maintenance	20,832	85,140	5	20
Communication expense	15,692	64,133	829	3,372
Fuel and vehicle operating	14,651	59,879	-	-
Utilities expense	14,392	58,820	283	1,151
Fee and commission expenses	13,957	57,042	-	-
Professional fees	11,637	47,560	-	-
Board of directors fee	10,723	43,825	-	-
Printing and stationery	9,356	38,238	225	915
Travel and transportation	4,591	18,763	309	1,257
Marketing and advertisement	4,525	18,494	-	-
Insurance expenses	2,972	12,147	-	-
Bank charges	2,628	10,741	4	16
Foreign exchange loss/(gain)	2,322	9,490	(69)	(278)
Penalties and fines	991	4,050	3,109	12,647
Tax expenses	200	817	-	-
Entertainment	146	597	-	-
Others	35,304	144,288	66	268
	<b>568,060</b>	<b>2,321,661</b>	<b>65,658</b>	<b>267,097</b>

**19. Cash and cash equivalents**

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Cash on hand (Note 4)	118,817	489,170	-	-
Deposit and placement with the NBC (Note 5)	728	2,997	1,425,971	5,809,406
Deposit and placements with other banks (Note 6)	110,614	455,398	-	-
	<b>230,159</b>	<b>947,565</b>	<b>1,425,971</b>	<b>5,809,406</b>

## Y.L.P Microfinance Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2022

#### 20. Related party transactions and balances

##### 20.1 Related party transactions

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
<b>Borrowing from related parties:</b>				
Proceeds from borrowings	5,436,572	22,219,270	209,832	853,597
Repayments of borrowings	(161,000)	(658,007)	-	-
Interest expense	28,035	114,579	-	-
<b>Rental expenses</b>	7,000	28,609	-	-
<b>Key management remuneration:</b>				
Directors and key management personnel compensation	73,750	301,416	9,700	39,460

##### 20.2 Related party balances

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Amounts due from shareholder	11,513	47,399	-	-
Borrowings	5,485,404	22,583,408	209,832	854,856
Accrued interest payable	8,075	33,245	-	-

#### 21. Lease commitments

The Company leases office premises under an operating lease arrangement with minimum lease commitments as follows:

	2022		2021 (Unaudited)	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Within 1 year	141,000	580,497	42,000	171,108
2 to 5 years	114,583	471,738	84,000	342,216
	255,583	1,052,235	126,000	513,324

## **Y.L.P Microfinance Plc.**

### **Notes to the financial statements (continued) For the year ended 31 December 2022**

#### **22. Tax contingencies**

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. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant.

#### **23. Significant accounting policies**

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **23.1 Basis of aggregation**

The Company's financial statements comprise the financial statements of the head office and its branches. All inter-branch balances and transactions have been eliminated.

##### **23.2 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits with banks and other highly liquid investments with original maturities of three months or less and that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost using the effective interest method in the statement of financial position.

##### **23.3 Deposits and placements with banks**

Deposits and placements with banks are carried at amortised cost using the effective interest method in the statement of financial position.

##### **23.4 Deposits and placements with the NBC**

Deposits and placements with the NBC, including capital guarantee deposit, are carried at amortised cost using the effective interest method in the statement of financial position.

Capital guarantee deposit is maintained in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by defined percentages of minimum share capital as required by the NBC. Capital guarantee is not available to finance the Company's day-to-day operations hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

## Y.L.P Microfinance Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2022

#### 23. Significant accounting policies (continued)

##### 23.5 Loan to customers

Loans to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

##### 23.6 Other assets

Other assets are carried at amortised cost using the effective interest method in the statement of financial position.

##### 23.7 Property and equipment

###### (i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within other income in profit or loss.

###### (ii) Subsequent costs

The costs of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

###### (iii) Depreciation

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

	Useful lives
Leasehold improvement	5 years
Furniture and fixtures	5 years
Office equipment	4 years
IT and computer equipment	4 years
Motor vehicles	5 years



## Y.L.P Microfinance Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2022

#### 23. Significant accounting policies (continued)

##### 23.7 Property and equipment (continued)

###### (iii) *Depreciation (continued)*

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

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

##### 23.8 Intangible assets

Intangible assets consist of computer software license and related costs are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised over an estimate useful life of 5 years using a straight-line method. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

##### 23.9 Impairment

###### **Non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

##### 23.10 Borrowing and other liabilities

Borrowing and other liabilities are carried at amortised cost using the effective interest method in the statement of financial position.

## Y.L.P Microfinance Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2022

#### 23. Significant accounting policies (continued)

##### 23.11 Provisions

Provisions are recognised in the statement of financial provision when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost.

##### 23.12 Employee benefits

###### (i) *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

###### (ii) *Other long-term employee benefits*

The Company's net obligation in respect of long-term employee benefits, including seniority indemnity obligation, is the amount of the benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

##### 23.13 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

## **Y.L.P Microfinance Plc.**

### **Notes to the financial statements (continued) For the year ended 31 December 2022**

#### **23. Significant accounting policies (continued)**

##### **23.14 Fee and commission**

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

##### **23.15 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Rights to assets held under finance leases are recognised as assets of the Company at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

##### **23.16 Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences).

## **Y.L.P Microfinance Plc.**

### **Notes to the financial statements (continued) For the year ended 31 December 2022**

#### **23. Significant accounting policies (continued)**

##### **23.16 Income tax (continued)**

Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss, except that an adjustment attributable to an item of income or expense recognised in other comprehensive income shall also be recognised in other comprehensive income.

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

##### **23.17 Financial assets and financial liabilities**

###### **(i) Recognition**

The Company initially recognises a financial asset or a financial liability when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

###### **(ii) Classification**

The Company classifies its financial assets and liabilities as basic financial instruments in accordance with Section 11 Basic Financial Instruments.

###### **(iii) Derecognition**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or settled, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

## Y.L.P Microfinance Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2022

#### 23. Significant accounting policies (continued)

##### 23.17 Financial assets and financial liabilities (continued)

**(iv) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**(v) Amortised cost measurement**

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

**(vi) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

## Y.L.P Microfinance Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2022

#### 23. Significant accounting policies (continued)

##### 23.17 Financial assets and financial liabilities (continued)

###### (vii) *Identification and measurement of impairment*

###### **Objective evidence of impairment**

At each reporting date, the Company assesses whether there is objective evidence that financial assets that are measured at cost or amortised cost. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets and that the loss event has an impact on the future cash flows of the assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

###### **Individual and collective assessment**

All individually significant assets are individually assessed for impairment.

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment, and found to be individually impaired, and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the management.

A collective component of the total allowance is established for:

- groups of homogeneous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.

## Y.L.P Microfinance Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2022

#### 23. Significant accounting policies (continued)

##### 23.17 Financial assets and financial liabilities (continued)

###### (vii) *Identification and measurement of impairment (continued)*

###### **Individual and collective assessment (continued)**

The collective allowance for groups of homogeneous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience.

In assessing the collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

###### **Measurement**

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

###### **Reversal of impairment and write offs**

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the entity shall reverse the previously recognised impairment loss either directly or by adjusting an allowance account.

The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognised. The entity shall recognise the amount of the reversal in profit or loss immediately.

The Company writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the management determines that there is no realistic prospect of recovery.

## Y.L.P Microfinance Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2022

#### 23. Significant accounting policies (continued)

##### 23.18 Regulatory reserves

The NBC issued Prakas No. B7-017-344 dated 1 December 2017 on Credit Risk Grading and Provision on Impairment and Circular No. B7-018-001 dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Provision on Impairment, which require all banks and financial institutions ("Institution") to measure the impairment and provide sufficient allowance for bad and doubtful loans based on the new credit risk grading and provision as follows:

Classification	Number of days past due	Allowance
<b>Short-term loans (less than one year):</b>		
Standard	0 - 14 days	1%
Special mention	15 - 30 days	3%
Sub-standard	31 - 60 days	20%
Doubtful	61 - 90 days	50%
Loss	91 days or more	100%
<b>Long-term loans (more than one year):</b>		
Standard	0 - 29 days	1%
Special mention	30 - 89 days	3%
Sub-standard	90 - 179 days	20%
Doubtful	180 - 359 days	50%
Loss	360 days or more	100%

In accordance with Article 73, the entity shall compare the provision calculated in accordance with above requirements, and the Company's record which is under CIFRS for SMEs:

- (i) If the regulatory provision is lower, the entity records the provision calculated in accordance with CIFRS for SMEs; and
- (ii) If the regulatory provision is higher, the entity records the provision calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings into regulatory reserves in equity account.

##### 23.19 Related parties

Enterprises and individual that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including the holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including Directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals, also constitute related parties.