

SERENDIB MICROINSURANCE PLC.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
AND
REPORT OF THE INDEPENDENT AUDITORS**

Corporate information

Company: Serendib Microinsurance Plc.

Registration No: 00049691

Registered office: No. 101A 3E0E1 and 101A, Street 289, Phum 1,
Sangkat Boeung Kak 1, Khan Toul Kork, Phnom Penh,
Kingdom of Cambodia

Shareholders: LOLC General Insurance Limited
LOLC Life Assurance Limited
LOLC Serendib (Private) Limited

Board of Directors:	Mr. Brindley Chrishantha Gajanayake De Zylva	Chairman
	Mr. F Kankanamalage Conrad Prasad Niroshan Dias	Director
	Mr. Indrajith Wijesiriwardana	Director
	Mr. Don Soshan Kamantha Amarasekera	Director
	Ms. Nadika Prabashi Nayanabaduge Opatha	Director
	Ms. Sarajika Sunjeevani Kotakadeniya	Director
	Mr. Sanakan Thamotheerampillai	Director (Appointed on 11 January 2024)

Management team:	Mr. Keo Sokveasna	Chief Executive Officer (Resigned on 1 March 2024)
	Ms. Rith Kanha	Acting Chief Executive Officer (Appointed on 1 March 2024)
	Mr. W M S Rivikula Bandara Gajanayake	Head of Business Development
	Mr. Touch Seyha	Acting Head of Finance and Admin (Appointed on 14 February 2024)

Principal bankers: LOLC (Cambodia) Plc.
Advanced Bank of Asia Limited
Foreign Trade Bank of Cambodia
Sathapana Bank Plc.

Auditors: Fii&Associates Co., Ltd.

Serendib Microinsurance Plc.

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Report of the Board of Directors

The Directors hereby submit their report together with the audited financial statements of Serendib Microinsurance Plc. ("the Company") for the year ended 31 December 2023.

Principal activities

The principal activity of the Company is to provide micro-insurance services in the Kingdom of Cambodia.

On 22 December 2021, the Company was granted the permanent license from the Insurance Regulator of Cambodia ("IRC").

Financial results

The financial results of the Company were as follows:

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Profit/(Loss) before income tax	14,358	59,012	(334,747)	(1,368,111)
Income tax expense	(163,476)	(671,886)	(65,852)	(269,137)
Net loss for the year	(149,118)	(612,874)	(400,599)	(1,637,248)

Dividends

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

Share capital and advance capital contribution

The paid-up capital of the Company as at 31 December 2023 was US\$1,000,000 (2022: US\$1,000,000) with a par value US\$1 per share. During the year, the Company received capital contribution amounting to US\$1,999,900 from LOLC Asia Private Limited, the new shareholder. Refer to Note 12(a) for the detailed Company's 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.

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.

Serendib Microinsurance Plc.

Report of the Board of Directors (continued)

Board of Directors

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

Mr. Brindley Chrishantha Gajanayake De Zylva	Chairman
Mr. F Kankanamalage Conrad Prasad Niroshan Dias	Director
Mr. Indrajith Wijesiriwardana	Director
Mr. Don Soshan Kamantha Amarasekera	Director
Ms. Nadika Prabashi Nayanabaduge Opatha	Director
Ms. Sarajika Sunjeevani Kotakadeniya	Director
Mr. Sanakan Thamotheerampillai	Director (Appointed on 11 January 2024)

Directors' interests

None of the Directors held or dealt in the shares of the Company.

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 corporate body.

No Directors of the Company has received or become entitled to receive benefit (other than benefit disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with a firm of which the Director is member, or with 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 2023 and its financial performance and its cash flows for the year then ended. In preparing these 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 Cambodian International Financial Reporting Standards ("CIFRS") 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) ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied that all known bad debts had been written off and that adequate allowance had been made for doubtful debts;
- (iv) ensure that any assets, other than debts, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company had been written down to an amount which they might be expected to realise;
- (v) oversee the Company's financial reporting process and maintain adequate accounting records and an effective system of internal controls; and
- (vi) 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.

Serendib Microinsurance Plc.

Report of the Board of Directors (continued)

Statements of Directors' responsibility in respect of financial statements (continued)

At the date of this report, the Directors are not aware of any circumstances:

- (i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent;
- (ii) which would render the values attributed to assets in the financial statements of the Company misleading;
- (iii) which has arisen which render adherence to the existing method of valuation of assets and liabilities of the Company misleading or inappropriate.

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

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

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

In opinion of the Directors:

- (i) the results of the Company's operations during the year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the current financial year in which this report is made.

Signed in accordance with a resolution of the Board of Directors,



Mr. Brindley Chrishantha Gajanayake De Zylva

Chairman

Phnom Penh, Kingdom of Cambodia

20 March 2024

Statement by Management

We, the undersigned on behalf of the Management of Serendib Microinsurance Plc. ("the Company"), do hereby state that, in our opinion, the accompanying financial statements which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising of material accounting policies and other explanatory information present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRS").



Ms. Rith Kanha

Acting Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

20 March 2024

Report of the Independent Auditors To the shareholders Serendib Microinsurance Plc.

Opinion

We have audited the financial statements of Serendib Microinsurance Plc. ("the Company"), which comprise the statement of financial position as at 31 December 2023, and the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information as set out on pages 8 to 44.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRS").

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the 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 opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Report of the Board of Directors and the Statement by Management as set out on pages 1 to 4.

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 performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Report of the Independent Auditors (continued)
To the shareholders
Serendib Microinsurance Plc.

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 CIFRSs, 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.

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.



Report of the Independent Auditors (continued)
To the shareholders
Serendib Microinsurance Plc.

Auditors' responsibility for the audit of the financial statements (continued)

- 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.**



Chhun Mara

Audit Director

Phnom Penh, Kingdom of Cambodia

20 March 2024

Serendib Microinsurance Plc.

Statement of financial position As at 31 December 2023

		2023		2022	
	Note	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
ASSETS					
Statutory deposit	4	48,960	200,002	48,579	200,000
Property and equipment	5	46,515	190,014	52,638	216,711
Intangible assets	6	61,427	250,929	11,035	45,431
Right-of-use assets	7.1	3,354	13,701	3,210	13,216
Deferred acquisition costs	8	561,063	2,291,942	218,796	900,783
Insurance and other receivables	9	329,943	1,347,817	101,561	418,127
Term deposits	10	3,203,726	13,087,221	247,442	1,018,718
Cash and cash equivalents	11	58,586	239,324	485,734	1,999,766
Total assets		4,313,574	17,620,950	1,168,995	4,812,752
EQUITY AND LIABILITIES					
Equity					
Share capital	12(a)	1,000,000	4,000,000	1,000,000	4,000,000
Advance capital contribution	12(b)	1,999,900	7,999,600	-	-
Accumulated losses		(805,125)	(3,290,781)	(656,007)	(2,677,907)
Currency translation differences		-	256,837	-	94,126
Total equity		2,194,775	8,965,656	343,993	1,416,219
Liabilities					
Insurance contract liabilities	13	1,967,938	8,039,027	746,885	3,074,926
Lease liabilities	7.2	3,455	14,114	3,455	14,224
Other payables	14	136,152	556,180	69,643	286,720
Current income tax liability	15.2	11,254	45,973	5,019	20,663
Total liabilities		2,118,799	8,655,294	825,002	3,396,533
Total equity and liabilities		4,313,574	17,620,950	1,168,995	4,812,752

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

Serendib Microinsurance Plc.

Statement of profit or loss and other comprehensive income for the year ended 31 December 2023

	Note	2023		2022	
		US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Insurance premium revenue	16	3,261,378	13,404,264	1,316,192	5,379,277
Other income	17	108,770	447,045	21,268	86,922
Net income before claims, benefits and expenses		3,370,148	13,851,309	1,337,460	5,466,199
Gross benefits and claims paid		(160,977)	(661,615)	(76,812)	(313,931)
Change in reserves of unearned premium	13	(1,060,076)	(4,356,912)	(667,303)	(2,727,267)
General and administrative expenses	18	(664,587)	(2,731,453)	(500,319)	(2,044,804)
Claims and benefits incurred		(749,352)	(3,079,837)	(231,047)	(944,289)
Underwriting expense and net acquisition costs	8	(720,798)	(2,962,480)	(196,726)	(804,019)
Profit/(Loss) before income tax		14,358	59,012	(334,747)	(1,368,111)
Income tax expense	15.3	(163,476)	(671,886)	(65,852)	(269,137)
Net loss for the year		(149,118)	(612,874)	(400,599)	(1,637,248)
Other comprehensive income					
Currency translation difference		-	162,711	-	20,000
Total comprehensive loss for the year		(149,118)	(450,163)	(400,599)	(1,617,248)

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

Serendib Microinsurance Plc.

Statement of changes in equity for the year ended 31 December 2023

	Share capital		Advance capital contribution		Accumulated losses		Currency Translation differences		Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
	(Note 2.4)		(Note 2.4)		(Note 2.4)		(Note 2.4)		(Note 2.4)	
At 1 January 2022	1,000,000	4,000,000	-	-	(255,408)	(1,040,659)	-	74,126	744,592	3,033,467
Comprehensive loss for the year										
Net loss for the year	-	-	-	-	(400,599)	(1,637,248)	-	-	(400,599)	(1,637,248)
Other comprehensive income										
Currency translation differences	-	-	-	-	-	-	-	20,000	-	20,000
Total comprehensive (loss)/income for the year	-	-	-	-	(400,599)	(1,637,248)	-	20,000	(400,599)	(1,617,248)
At 31 December 2022	<u>1,000,000</u>	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>(656,007)</u>	<u>(2,677,907)</u>	<u>-</u>	<u>94,126</u>	<u>343,993</u>	<u>1,416,219</u>
At 1 January 2023	1,000,000	4,000,000	-	-	(656,007)	(2,677,907)	-	94,126	343,993	1,416,219
Advance capital injection	-	-	1,999,900	7,999,600	-	-	-	-	1,999,900	7,999,600
Comprehensive loss for the year										
Net loss for the year	-	-	-	-	(149,118)	(612,874)	-	-	(149,118)	(612,874)
Other comprehensive income										
Currency translation differences	-	-	-	-	-	-	-	162,711	-	162,711
Total comprehensive (loss)/income for the year	-	-	-	-	(149,118)	(612,874)	-	162,711	(149,118)	(450,163)
At 31 December 2023	<u>1,000,000</u>	<u>4,000,000</u>	<u>1,999,900</u>	<u>7,999,600</u>	<u>(805,125)</u>	<u>(3,290,781)</u>	<u>-</u>	<u>256,837</u>	<u>2,194,775</u>	<u>8,965,656</u>

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

Serendib Microinsurance Plc.

Statement of cash flows for the year ended 31 December 2023

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Cash flows from operating activities				
Net loss for the year	(149,118)	(612,874)	(400,599)	(1,637,248)
<i>Adjustments for:</i>				
Depreciation and amortisation	38,070	156,468	24,649	100,740
Interest expense	497	2,044	794	3,245
Interest income	(97,716)	(401,613)	(17,153)	(70,104)
Income tax expense	163,476	671,886	65,852	269,137
	(44,791)	(184,089)	(326,457)	(1,334,230)
<i>Changes in:</i>				
Insurance and other receivables	(149,881)	(616,011)	(96,764)	(395,474)
Deferred acquisition costs	(342,267)	(1,406,717)	(218,796)	(894,219)
Insurance contract liabilities	1,221,053	5,018,528	744,115	3,041,198
Other payables	66,509	273,352	55,486	226,771
Cash generated from operations	750,623	3,085,063	157,584	644,046
Interest paid	(497)	(2,044)	(794)	(3,245)
Income tax paid	(157,241)	(646,261)	(61,106)	(249,740)
Net cash generated from operating activities	592,885	2,436,758	95,684	391,061
Cash flows from investing activities				
Purchases of property and equipment	(12,868)	(52,887)	(55,165)	(225,459)
Purchases of intangible asset	(59,552)	(244,759)	(13,939)	(56,969)
Term deposits	(2,956,284)	(12,150,327)	397,558	1,624,820
Interest received	18,834	77,408	23,857	97,504
Net cash (used in)/generated from investing activities	(3,009,870)	(12,370,565)	352,311	1,439,896
Cash flows from financing activities				
Payments of lease liabilities	(10,063)	(41,359)	(9,766)	(39,914)
Proceeds from advance of share capital	1,999,900	8,219,589	-	-
Net cash generated from/(used in) financing activities	1,989,837	8,178,230	(9,766)	(39,914)
Net (decrease)/increase in cash and cash equivalents	(427,148)	(1,755,577)	438,229	1,791,043
Cash and cash equivalents at 1 January	485,734	1,999,766	47,505	193,536
Currency translation difference	-	(4,865)	-	15,187
Cash and cash equivalents at 31 December (Note 11)	58,586	239,324	485,734	1,999,766

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

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

1. Reporting entity

Serendib Microinsurance Plc. ("the Company") was incorporated as a public limited company in Cambodia under the Registration No. 00049691.

The principal activity of the Company is to provide micro-insurance services in the Kingdom of Cambodia.

On 22 December 2021, the Company was granted the permanent license from the Insurance Regulator of Cambodia ("IRC").

The address of its registered office is at Building No. 101A 3EoE1 and 101A, Street 289, Phum 1, Sangkat Boeung Kak 1, Khan Toul Kork, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2023, the Company had 19 employees (2022: 14 employees).

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards ("CIFRSs"). CIFRSs are equivalent to International Financial Reporting Standards ("IFRSs"), except IFRS 9 and IFRS 17, where the Accounting and Auditing Regulator, through Circular No. 0013/23 dated 24 March 2023, approved to delay the implementation until 31 December 2024 with early adoption is encouraged. The Company has not early adopted the new standards in preparing these financial statements.

Details of the Company's material accounting policies are included in Note 25.

These financial statements were approved by the Company's Board of Directors and authorised for issue on 20 March 2024.

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 primarily in the United States Dollars ("US\$"), management have determined the US\$ to be the Company's functional as it reflects the economic substance of the underlying events and circumstances of the Company.

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

2. Basis of preparation (continued)

2.4 Functional and presentation currency (continued)

Transactions in currencies other than US\$ are translated into US\$ at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US\$ at the reporting date are translated into US\$ at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in profit or loss.

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

Assets and liabilities are translated at the closing rate as at the reporting date and the share capital are translated at historical rate. The statements of profit or loss and other 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 financial statements are presented in KHR based on the following applicable exchange rate per US\$1:

Financial year end	Closing rate	Average rate
31 December 2023	US\$1 = KHR4,085	KHR4,110
31 December 2022	US\$1 = KHR4,117	KHR4,087

These translations are for compliance purposes only and should not be construed as presentations that the KHR amounts have been, could be, or could in the future be, converted into US\$ at this or any other rate of exchange.

2.5 Use of estimates and judgments

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.

**Notes to the financial statements (continued)
for the year ended 31 December 2023**

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 Insurance contract

The determination of insurance contract liabilities is dependent on assumptions made by the management of the Company. These estimates are reviewed and adjusted (if necessary) each year in order to establish insurance contract liabilities which reflect best estimate assumptions. The process used to determine these assumptions are disclosed in Note 13.

3.2 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.

3.3 Property and equipment and intangible assets

Accounting for property and equipment and intangible assets 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.

3.4 Impairment of financial instruments

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 the inability to make the required payments, allowance may be required to be made for such receivable.

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

3. Critical accounting estimates and judgements (continued)

3.5 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Information about the assumptions made in measuring fair value is included in Note 21 – Financial instruments – accounting classifications and fair values.

4. Statutory deposit

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Statutory deposit	48,960	200,002	48,579	200,000

Statutory deposit is maintained with the Insurance Regulator of Cambodia ("IRC") earning no interest.

Serendib Microinsurance Plc.

**Notes to the financial statements (continued)
for the year ended 31 December 2023**

5. Property and equipment

2023

	Office furniture, fixtures and equipment US\$	Computers equipment US\$	Vehicle US\$	Other assets US\$	Total US\$	KHR'000 (Note 2.4)
Cost						
At 1 January 2023	3,107	16,919	45,050	1,102	66,178	272,455
Additions	495	11,908	465	-	12,868	52,887
Currency translation difference	-	-	-	-	-	(2,439)
At 31 December 2023	3,602	28,827	45,515	1,102	79,046	322,903
Less: Accumulated depreciation						
At 1 January 2023	1,751	5,323	6,007	459	13,540	55,744
Depreciation for the year	1,159	8,430	9,033	369	18,991	78,053
Currency translation difference	-	-	-	-	-	(908)
At 31 December 2023	2,910	13,753	15,040	828	32,531	132,889
Carrying amounts						
At 31 December 2023	692	15,074	30,475	274	46,515	190,014

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**Notes to the financial statements (continued)
for the year ended 31 December 2023**

5. Property and equipment (continued)

2022	Office furniture, fixtures and equipment US\$	Computers equipment US\$	Vehicle US\$	Other assets US\$	Total US\$	KHR'000 (Note 2.4)
Cost						
At 1 January 2022	3,107	6,804	-	1,102	11,013	44,867
Additions	-	10,115	45,050	-	55,165	225,459
Currency translation difference	-	-	-	-	-	2,129
At 31 December 2022	3,107	16,919	45,050	1,102	66,178	272,455
Less: Accumulated depreciation						
At 1 January 2022	715	619	-	92	1,426	5,810
Depreciation for the year	1,036	4,704	6,007	367	12,114	49,510
Currency translation difference	-	-	-	-	-	424
At 31 December 2022	1,751	5,323	6,007	459	13,540	55,744
Carrying amounts						
At 31 December 2022	1,356	11,596	39,043	643	52,638	216,711

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Notes to the financial statements (continued) for the year ended 31 December 2023

6. Intangible assets

2023	Software development US\$	Software under development US\$	Total US\$	KHR'000 (Note 2.4)
Cost				
At 1 January	13,939	-	13,939	57,387
Additions	17,477	42,075	59,552	244,759
Currency translation difference	-	-	-	(1,935)
At 31 December	31,416	42,075	73,491	300,211
Less: Accumulated amortisation				
At 1 January	2,904	-	2,904	11,956
Amortisation during the year	9,160	-	9,160	37,648
Currency translation difference	-	-	-	(322)
At 31 December	12,064	-	12,064	49,282
Carrying amounts				
At 31 December	19,352	42,075	61,427	250,929

2022	Software development US\$	Software under development US\$	Total US\$	KHR'000 (Note 2.4)
Cost				
At 1 January	-	-	-	-
Additions	13,939	-	13,939	56,969
Currency translation difference	-	-	-	418
At 31 December	13,939	-	13,939	57,387
Less: Accumulated amortisation				
At 1 January	-	-	-	-
Amortisation during the year	2,904	-	2,904	11,869
Currency translation difference	-	-	-	87
At 31 December	2,904	-	2,904	11,956
Carrying amounts				
At 31 December	11,035	-	11,035	45,431

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

7. Right-of-use assets/lease liabilities

7.1 Right-of-use assets ("ROU")

Information about lease for which the Company is a lessee is presented below.

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Cost				
At 1 January	19,262	79,302	19,262	78,473
Additions	10,063	41,359	-	-
Currency translation difference	-	(868)	-	829
At 31 December	29,325	119,793	19,262	79,302
Less: Accumulated amortisation				
At 1 January	16,052	66,086	6,421	26,159
Depreciation for the year	9,919	40,767	9,631	39,362
Currency translation difference	-	(761)	-	565
At 31 December	25,971	106,092	16,052	66,086
Carrying amounts				
At 31 December	3,354	13,701	3,210	13,216

7.2 Lease liabilities

(i) Amounts recognised in the statement of financial position:

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Current	3,455	14,114	3,455	14,224

(ii) Amounts recognised in the statement of profit or loss (included in general and administrative expenses):

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Depreciation of ROU	9,919	40,767	9,631	39,362
Interest expense	497	2,044	794	3,245
	10,416	42,811	10,425	42,607

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

7. Right-of-use assets/lease liabilities (continued)

7.2 Lease liabilities (continued)

(iii) Amounts recognised in the statement of cash flows:

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Cash payments for the principal portion of the lease liabilities	10,063	41,359	9,766	39,914
Cash payments for the interest portion of the lease liabilities	497	2,044	794	3,245
	10,560	43,403	10,560	43,159

8. Deferred acquisition costs

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
At 1 January	218,796	900,783	-	-
Commission paid	1,063,065	4,369,197	415,522	1,698,238
Recognised in profit or loss	(720,798)	(2,962,480)	(196,726)	(804,019)
Currency translation difference	-	(15,558)	-	6,564
At 31 December	561,063	2,291,942	218,796	900,783

9. Insurance and other receivables

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Premium receivables	227,245	928,296	99,558	409,880
Accrued interest receivable	78,952	322,519	70	288
Other receivables	23,746	97,002	1,933	7,959
	329,943	1,347,817	101,561	418,127

10. Term deposits

Fixed deposits are placed with local commercial banks, more than 3 months but less than one year, bearing interest rates ranging from 4.20% to 8.10% per annum.

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

11. Cash and cash equivalents

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Cash on hand	50	204	766	3,154
Cash at banks	58,536	239,120	484,968	1,996,612
	<u>58,586</u>	<u>239,324</u>	<u>485,734</u>	<u>1,999,766</u>

12. Share capital and advance capital contribution

(a) Share capital

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Registered, issued and paid-up:				
1,000,000 shares of US\$1 each	<u>1,000,000</u>	<u>4,000,000</u>	<u>1,000,000</u>	<u>4,000,000</u>

The shareholding structure and shareholder are as follows:

	2023			2022		
	% of Ownership	Number of shares	Amount US\$	% of Ownership	Amount US\$	Amount US\$
LOLC General Insurance Limited	45%	450,000	450,000	45%	450,000	450,000
LOLC Life Assurance Limited	45%	450,000	450,000	45%	450,000	450,000
LOLC Serendib Private Limited	10%	99,900	99,900	10%	100,000	100,000
LOLC Asia Private Limited	0%	100	100	0%	-	-
	<u>100%</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>100%</u>	<u>1,000,000</u>	<u>1,000,000</u>

(b) Advance capital contribution

During the year, the Company received capital contribution amounting to US\$1,999,900 from LOLC Asia Private Limited, the new shareholder. On 11 January 2024, the Insurance Regulator of Cambodia ("IRC") granted approval for the new shareholder and the increase in share capital. The above change was approved by Ministry of Commerce ("MOC") on 21 February 2024.

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

13. Insurance contract liabilities

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Provision for incurred but not reported (IBNR) (a)	136,204	556,393	72,633	299,030
Provision for unearned premiums (b)	1,730,005	7,067,070	669,929	2,758,098
Provision for claims (c)	101,729	415,564	4,323	17,798
	<u>1,967,938</u>	<u>8,039,027</u>	<u>746,885</u>	<u>3,074,926</u>

(a). Movements in provision for IBNR were as follows:

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
At 1 January	72,633	299,030	144	587
Claims incurred during the year	63,571	261,277	72,489	296,263
Currency translation difference	-	(3,914)	-	2,180
At 31 December	<u>136,204</u>	<u>556,393</u>	<u>72,633</u>	<u>299,030</u>

(b). Movements in unearned premiums were as follows:

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
At 1 January	669,929	2,758,098	2,626	10,698
Premiums written during the year	1,060,076	4,356,912	667,303	2,727,267
Currency translation difference	-	(47,940)	-	20,133
At 31 December	<u>1,730,005</u>	<u>7,067,070</u>	<u>669,929</u>	<u>2,758,098</u>

(c). Movements in claims were as follows:

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
At 1 January	4,323	17,798	-	-
Claims requested during the year	402,311	1,653,498	36,742	150,165
Claims paid during the year	(304,905)	(1,253,160)	(32,419)	(132,496)
Currency translation difference	-	(2,572)	-	129
At 31 December	<u>101,729</u>	<u>415,564</u>	<u>4,323</u>	<u>17,798</u>

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

13. Insurance contract liabilities (continued)

Process used to determine assumptions

Unearned Premium Reserve and the Claims Provisions have been estimated in accordance with the generally accepted actuarial principles and procedures for short term liabilities. Although the portfolio under consideration is specifically a life insurance portfolio, above simplified methodology is acceptable considering that this portfolio is been priced and treated as a group cover with a one-year term.

Unearned Premium Reserve (UPR) and Unearned Risk Reserve (URR)

Unearned Premium Reserve is based on 365th method.

Unearned Risk Reserve (URR) is defined as the excess of best estimate of expected future claims payments arising from future events, for risks assumed as at the valuation date with a provision for adverse deviations (PAD).

In the absence of any historical data, best estimate of future claims was estimated using the pricing assumption (39% of Premiums) with a 15% arbitrary PAD.

When estimating the unexpired risk, claims were expected to distribute uniformly over the term.

Total Premium Liability is defined as the maximum of UPR and URR.

Claims Provisions for Incurred but Not Reported Claims (IBNR)

The Company has commenced its sales operations in November 2021 and it has only been in business for 26 months and, as a result, does not have sufficient historical experience upon which to base a reliable estimate of the claims provisions.

In the absence of any historical data, above Claims Provisions was evaluated against the expected claims ratios used for pricing with a 15% PAD for adverse deviations. Amount set aside is expected to be adequate and to be a prudent estimate to provide for any claims incurred but not report.

14. Other payables

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Accrued expenses	91,302	372,969	46,759	192,507
Accrued staff bonus	38,089	155,594	18,412	75,802
Other tax payables	6,618	27,035	4,472	18,411
Other payables	143	582	-	-
	136,152	556,180	69,643	286,720

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

15. Income tax

15.1 Applicable tax rates

In accordance with Article 20 (new) of the Cambodian Law on Taxation, life insurance companies are subject to income tax at statutory tax rate of 20% of taxable income or the minimum tax, whichever is higher.

Minimum tax is calculated at the rate of 1% of annual turnover (i.e., life insurance premium and related income and other income from other business activities). This minimum tax can be exempted if the Company maintains proper accounting records as defined in the Prakas No. 638 issued by the General Department of Taxation ("GDT"), subject to approval by the GDT.

Interest income earned from deposit with banks and local financial institutions that already paid for withholding tax is not subject to tax on profit in accordance with circular No.003 MEF GDT – Tax on profit and other tax collection on insurance companies issued by MEF on 10 February 2011.

On 28 June 2021, GDT updated the regulations for micro-insurance business activities to apply tax rate 5% on micro-insurance products.

15.2 Current income tax liability

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
At 1 January	5,019	20,663	273	1,112
Recognised in profit or loss	163,476	671,886	65,852	269,137
Income tax paid	(157,241)	(646,261)	(61,106)	(249,740)
Currency translation difference	-	(315)	-	154
At 31 December	11,254	45,973	5,019	20,663

15.3 Income tax expense

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Micro-insurance premium revenue	3,261,378	13,404,264	1,316,192	5,379,277
Income tax at 5% of gross premium	163,476	671,886	65,852	269,137

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

15. Income tax (continued)

15.4 Unrecognised deferred tax assets

Tax losses incurred in any tax year can be carried forward to offset against profit realised in the following five tax years subject to the following conditions:

- The loss must be recorded in the Tax on Income return and submitted to the GDT on time;
- The business objective of the Company must not have changed;
- The ownership of the Company must not have changed; and
- The Company must not have received a unilateral tax re-assessment.

Deferred tax assets in respect of the tax losses are not recognised in the financial statements because it is not probable that future taxable profits will be available against which the Company can use the benefits therefrom.

16. Insurance premium revenue

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Credit life	1,097,005	4,508,691	1,316,192	5,379,277
Term life	2,164,373	8,895,573	-	-
	<u>3,261,378</u>	<u>13,404,264</u>	<u>1,316,192</u>	<u>5,379,277</u>

17. Other income

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Interest income	97,716	401,613	17,153	70,104
Others	11,054	45,432	4,115	16,818
	<u>108,770</u>	<u>447,045</u>	<u>21,268</u>	<u>86,922</u>

Serendib Microinsurance Plc.

**Notes to the financial statements (continued)
for the year ended 31 December 2023**

18. General and administrative expenses

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Salaries	409,918	1,684,763	315,342	1,288,803
Professional fees	70,941	291,568	76,599	313,060
Depreciation and amortisation	38,070	156,468	24,649	100,740
Information technology service fees	22,686	93,239	-	-
Audit remuneration	20,850	85,694	10,450	42,709
Contribution fees	16,307	67,022	6,581	26,897
Marketing	13,028	53,545	12,588	51,447
Communication	11,064	45,473	4,387	17,930
Staff benefits	10,156	41,741	8,479	34,654
Recruitment service	5,734	23,567	795	3,249
Printing	4,721	19,403	6,303	25,760
Tax expenses	3,909	16,066	4,792	19,585
Entertainment	3,589	14,751	1,639	6,699
Utilities	3,276	13,464	3,029	12,380
License fees	2,286	9,395	3,839	15,690
Public service fee	1,521	6,251	1,037	4,238
Office supplies	1,158	4,759	850	3,474
Agent training	994	4,085	3,017	12,330
Repairs and maintenance	846	3,477	294	1,202
Interest expense on lease liabilities	497	2,044	794	3,245
Other expenses	23,036	94,678	14,855	60,712
	<u>664,587</u>	<u>2,731,453</u>	<u>500,319</u>	<u>2,044,804</u>

Serendib Microinsurance Plc.

**Notes to the financial statements (continued)
for the year ended 31 December 2023**

19. Related party transactions and balances

19.1 Transactions with related parties

Related party	Relationship	Account balance/nature of transaction	2023		2022	
			US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
LOLC (Cambodia) Plc.	Related party	Premium collected on behalf	3,215,862	13,217,193	1,255,116	5,129,659
		Premiums received	3,108,725	12,776,860	1,155,996	4,724,556
		Commission expense	1,061,304	4,361,959	414,188	1,692,786
		Commission paid	993,161	4,081,892	381,479	1,559,105
		Rental expense	13,440	55,238	13,440	54,929
		Management fee	67,472	277,310	64,428	263,317
LOLC Life Assurance Private Limited	Shareholder	Management fee	4,070	16,728	7,000	28,609
		Payment of management fee	4,070	16,728	6,300	25,748

The total remuneration of directors and other members of key management in 2023 (including salaries and benefits) was US\$67,619 (2022: Nil).

Serendib Microinsurance Plc.

**Notes to the financial statements (continued)
for the year ended 31 December 2023**

19. Related party transactions and balances (continued)

19.2 Balances with related parties

Related party	Relationship	Account balance/nature of transaction	2023		2022	
			US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
LOLC (Cambodia) Plc.	Related party	Amounts due from	206,480	843,471	99,120	405,103
		Amounts due to	68,143	278,364	32,709	133,682
LOLC Life Assurance Private Limited	Shareholder	Amounts due to	-	-	700	2,861

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

20. Capital management

The Company's policy is to maintain a strong capital base so as to maintain shareholders, creditors and market confidence and to sustain future development of the business.

Solvency Margin

According to Article 3 of the Circular No. 009-MEF issued on 29 June 2011, the Company shall maintain a solvency margin of KHR400 million with a registered bank or Micro-Finance Institution licensed by the National Bank of Cambodia.

On 14 December 2022, Non-Bank Financial Services Authority ("NBFS") issued new Prakas No. 061-FSA to set the statutory solvency margin requirement for insurance company. According to Article 8 of the Prakas, the micro-insurance companies shall maintain a minimum solvency of 25% of net insurance premium income. If the 25% of net insurance premium income is less than 50% of the minimum capital, the micro-insurance companies shall determine the minimum solvency ratio equal to 50% of minimum capital. The minimum share capital for micro-insurance companies required is KHR2,000 million as per stated in Article 14 of the Prakas.

As at 31 December 2023, the Company's solvency margin status is as follows:

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Net insurance premium revenue	3,261,378	13,404,264	1,316,192	5,379,277
Statutory solvency margin required	815,345	3,351,066	329,048	1,344,819
Deposits with registered banks				
Cash at banks (Note 11)	58,536	239,120	484,968	1,996,612
Fixed deposits (Note 10)	3,203,726	13,087,221	247,442	1,018,718
	3,262,262	13,326,341	732,410	3,015,330
Surplus of the statutory solvency margin required	2,446,917	9,975,275	403,362	1,670,511

According to Article 4 of the Prakas, the micro-insurance companies shall maintain solvency ratio of at least 120% of the net assets.

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

20. Capital management (continued)

The Company's net asset in accordance with Article 5 of the Prakas is calculated as follows;

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Total asset balance	4,313,574	17,620,950	1,168,995	4,812,752
Less:				
Receivable over 180 days	-	-	70	288
Advances and Prepayments	23,746	97,002	1,931	7,950
Deferred acquisition cost	561,063	2,291,942	218,796	900,783
Intangible Assets	61,427	250,929	11,035	45,431
Total inadmissible asset	3,667,338	14,981,077	937,163	3,858,300
Total inadmissible assets	3,667,338	14,981,077	937,163	3,858,300
Total liabilities	(2,118,799)	(8,655,294)	(825,002)	(3,396,533)
Net asset	1,548,539	6,325,783	112,161	461,767

The Company's solvency ratio is calculated as follows:

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Net assets calculated based on above Prakas	1,548,539	6,325,783	112,161	461,767
Minimum solvency	250,000	1,000,000	250,000	1,000,000
Company's required solvency	815,345	3,351,066	329,048	1,344,819
Solvency ratio	190%	190%	34%	34%

21. Financial instruments - accounting classifications and fair values

The Company has not disclosed the fair value information for the financial assets and financial liabilities because their carrying amounts are a reasonable approximation of the fair value.

All financial assets and financial liabilities of the Company are categorised as level 2 under the fair value hierarchy.

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

22. Financial risk management

The Company has exposure to the following risks arising from finance instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Company's exposure to each of the above risk, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

22.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amounts of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2023		2022	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Insurance and other receivables	329,943	1,347,817	101,561	418,127
Cash at banks	58,536	239,120	484,968	1,996,612
Term deposits	3,203,726	13,087,221	247,442	1,018,718
	<u>3,592,205</u>	<u>14,674,158</u>	<u>833,971</u>	<u>3,433,457</u>

Insurance and other receivables

The Company has not recorded any impairment loss since no occurrence of default has taken place since the start of the Company's operations. Management does not foresee any significant credit risk from receivables arising from insurance and reinsurance contracts and does not expect that they may default and cause losses to the Company.

Cash at banks and term deposits

Cash at banks, comprising current and saving accounts, and term deposits are mainly held by major financial institutions in Cambodia. Management does not foresee any significant credit risk from deposit with banks based on the external credit ratings of the counterparties. There was no impairment allowance recognised for deposit with banks and MFIs as at 31 December 2023 (31 December 2022: Nil).

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

22. Financial risk management (continued)

22.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

Exposure to liquidity risk

The following are the remaining contractual maturities of the non-derivative financial liabilities at the reporting date. The amounts are gross and, undiscounted and include estimated interest payments and exclude the impact of netting agreements.

	Carrying amounts US\$	Contractual cash flows US\$	Less than 6 months US\$	6 to 12 months US\$	More than 1 year US\$
31 December 2023					
Gross insurance contract liabilities	1,967,938	1,967,938	-	1,967,938	-
Other liabilities	149,602	149,602	149,602	-	-
Lease liabilities	3,455	3,455	3,455	-	-
	<u>2,120,995</u>	<u>2,120,995</u>	<u>153,057</u>	<u>1,967,938</u>	<u>-</u>
31 December 2022					
Gross insurance contract liabilities	746,885	746,885	-	746,885	-
Other liabilities	65,171	65,171	65,171	-	-
Lease liabilities	3,455	3,455	3,455	-	-
	<u>815,511</u>	<u>815,511</u>	<u>68,626</u>	<u>746,885</u>	<u>-</u>

22.3 Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company does not have significant exposure to foreign currency risk as most transactions of the Company are carried out in US\$, the functional currency of the Company.

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

22. Financial risk management (continued)

22.3 Market risk (continued)

Interest rate risk

Exposure to interest rate risk

Interest-bearing financial assets include cash at banks and placements with banks and MFIs. The interest rates are disclosed in Notes 10 and 11. There are no interest-bearing financial liabilities at the reporting date.

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

23. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

Risks that are specific to the various types of insurance contracts are elaborated below:

Life insurance non-par contracts

The life insurance non-par contracts consist of individual term insurance, individual endowment plan and group business.

23.1 Concentration of insurance risk

Concentration of risk may arise where a particular event or a series of events could impact heavily upon the Company's insurance contract liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

23. Insurance risk (continued)

23.1 Concentration of insurance risk (continued)

Insurance risk for contracts is also affected by the policyholders' right to pay reduced or no future premiums, or to terminate the contract completely. As a result, the amount of insurance risk is also subject to policyholder behaviour. On the Sumption that policyholders will make decisions rationally, overall insurance risk can be assumed to be aggregated by such behaviour. The Company has factored the impact of policyholders' behaviour into the assumptions used to measure insurance contract liabilities.

23.2 Management of insurance risk – underwriting and reinsurance strategy

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of the type of risk and the level of insured benefits. The Company has developed its insurance underwriting strategy according to 2 main areas – risk selection and risk classification.

The risk selection process determines the groups of insurance risk that are acceptable to the Company so that diversification of insurance risk types is achieved. At the same time, this is to ensure within each of these risk types, there is a sufficiently large population of risks to reduce the variability of the expected outcome.

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

25. Material accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

25.1 Foreign currency transactions

Transactions in currencies other than US\$ are translated into US\$ at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US\$ at reporting date are translated into US\$ at the exchange rates ruling at that date. Exchange differences arising on translation are recognised in the profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

25. Material accounting policies (continued)

25.2 Insurance contract

(i) Classification

Insurance contracts are those contracts under which the Company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholders or other beneficiaries if a specified uncertain future event adversely affects the policyholders or other beneficiaries.

(ii) Recognition and measurement

Premiums and commission

Premiums from policyholders are recognised on their respective due dates. Premiums not received on the due date are recognised as revenue with the corresponding outstanding premiums receivable recognised in the statement of financial position. The commission expense arising from these outstanding premiums is accrued in the same reporting period.

Premiums due after but received before the end of the financial year are recorded as advance premiums and are recognised as liabilities in the statement of financial position.

Claims and benefits incurred

Claims include maturities, deaths and other claims events. Maturity claims are recorded on the policy maturity date. Surrenders are recorded when paid, death claims and payments on other claim events are recorded when notified.

Benefits are recorded as an expense when they are incurred.

Insurance contract liabilities

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is measured using assumptions considered to be appropriate for the policies in force. The actuarial valuation basis is determined by the Company's Actuary.

In respect of policies within the non-participating fund which are not universal life, the Company values the insurance contract liabilities using best estimate assumptions and discounting the future cash flows to their present value.

**Notes to the financial statements (continued)
for the year ended 31 December 2023**

25. Material accounting policies (continued)

25.2 Insurance contract (continued)

(ii) Recognition and measurement (continued)

Insurance contract liabilities (continued)

Provision for unexpired risk

Provision for unexpired risk refer to unearned premium that is part of the premiums relating to the unexpired risk as at the reporting date, and recognised as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. Unearned premiums for short term contracts are calculated in proportion to the number of days (1/365 basis) until the policy expires. Increase/decrease in unearned premiums represents the difference between the balance of unearned premiums for the current and prior periods.

Reinsurance

An asset arising from reinsurance contracts is recognised in the statement of financial position representing premiums ceded to or payments due from reinsurers and the share of benefits and claims recoverable from reinsurers. The measurement of reinsurance assets is consistent with the measurement of the underlying insurance contracts.

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

Liability adequacy test

At each reporting date, a liability adequacy test is performed to assess the adequacy of the insurance contract liabilities. In performing the test, current best estimates of discounted contractual cash flow and claims handling and administration expense, as well as investment income from the assets backing such liabilities, are used. Where a shortfall is identified, additional provision is made and the deficiency is charged to profit or loss.

Acquisition costs

Acquisition costs represent costs incurred to obtain premium income, such as commission paid to insurance brokers, agencies and other insurance companies. Those direct and indirect costs incurred during the financial period arising from the underwriting or renewing insurance contracts are deferred and amortised over the period in which the related revenues are earned by using 1/365 basis. All other acquisition costs are recognised as an expense when incurred.

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Notes to the financial statements (continued) for the year ended 31 December 2023

25. Material accounting policies (continued)

25.3 Financial instruments

The Company classifies non-derivative financial assets into loans and receivables and held-to-maturity categories.

The Company classifies non-derivative financial liabilities into other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control over the transferred assets. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

(ii) Non-derivative financial assets and financial liabilities – measurement

Loan and receivables

Loans and receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and fixed term deposits with maturities of three months or less from the transaction date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Other financial liabilities

Other financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

25. Material accounting policies (continued)

25.4 Share capital – ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognised as a deduction from equity, net of any tax effects.

25.5 Property and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

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

Any gains or losses on disposal of an item of property and equipment are recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of property and equipment less the estimate residual value using declining balance basis based on the net book value of the individual assets at the beginning of the period, and is generally recognised at profit or loss at the following annual rate:

Office furniture, fixtures and equipment	3 years
Computer equipment	3 years
Vehicle	5 years
Other assets	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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Notes to the financial statements (continued) for the year ended 31 December 2023

25. Material accounting policies (continued)

25.6 Intangible assets

Intangible assets (computer software) are stated at cost less accumulated amortisation and impairment losses, if any.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful life of 4 years.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

25.7 Impairment

(i) Non-derivative financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets is impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on term that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes a judgement if any current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

**Notes to the financial statements (continued)
for the year ended 31 December 2023**

25. Material accounting policies (continued)

25.7 Impairment (continued)

(i) Non-derivative financial assets (continued)

Financial assets measured at amortised cost (continued)

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the impairment loss subsequently decrease and the decrease can be related to objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(ii) Non - financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

For the 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 cash generating units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

Impairment losses are recognised in profit or loss. Impairment losses are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

25.8 Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and 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.

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Notes to the financial statements (continued) for the year ended 31 December 2023

25. Material accounting policies (continued)

25.8 Employee benefits (continued)

(ii) Other long-term employee benefits

The Company's net obligation in respect of other long-term employee benefits 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 the period in which they arise.

25.9 Provisions

Provisions are recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at 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 finance cost.

25.10 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in CIFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

**Notes to the financial statements (continued)
for the year ended 31 December 2023**

25. Material accounting policies (continued)

25.10 Leases (continued)

As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The estimated useful lives of right-of-use assets range from 2 to 4.5 years.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. Lease payments are fixed payments, including in-substance fixed payments, which is included in the measurement of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is revised in-substance fixed lease payments.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low-value assets

Short-term leases and leases of low-value assets are charged as an expense on a straight-line basis over the lease term.

**Notes to the financial statements (continued)
for the year ended 31 December 2023**

25. Material accounting policies (continued)

25.11 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent it relates to the items recognised directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under *CIAS 37 Provisions, Contingent Liabilities and Contingent Assets*.

(i) Current tax

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.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

25.12 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 Director and officers of the Company and close members of the family of these individuals and companies associated with these individuals, also constitute related parties.

Serendib Microinsurance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

26. Adoption of new and revised accounting standards

26.1 New and revised accounting standards effective during the year

The new and revised accounting standards and interpretations assessed to be applicable to the Company's financial statements as follows:

- Disclosure of Accounting Policies (Amendments to CIAS 1 and CIFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to CIAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to CIAS 12).

The management assessed that the adoption of the above accounting standards have no material impact on the financial statements of the Company.

26.2 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended.

New standards or amendments	Effective date
<ul style="list-style-type: none">• CIFRS 17 Insurance Contracts and amendments to CIFRS 17 Insurance Contracts.• CIFRS 9 Financial Instruments	1 January 2025
<ul style="list-style-type: none">• Classification of Liabilities as Current or Non-current (Amendments to CIAS 1).	1 January 2024

The Company is assessing the application of CIFRS 17 and CIFRS 9. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material impact on the Company's financial statements in the period of initial application.

On 27 September 2023, the Company submitted the letter request delay of CIFRS 17 and CIFRS 9 standard implementation to 1 January 2027 which is still in the process of obtaining approval from the Insurance Regulator of Cambodia ("IRC").