

MOBILITY FINANCE (CAMBODIA) PLC.



ANNUAL REPORT 2020

MESSAGE FROM CHAIRMAN



TAKESHI KURODA

Chairman of the board

The global economy has been declining since the early of 2020 as a result of COVID-19 pandemic. Most of the business also get negative impact; and some of them decide to close their operation due to severeness. Within the Cambodia circumstance, we cannot do any better, but to face the same obstacle.

Parallely, Mobility Finance (Cambodia) Plc. gets the big concussion, and our operation gets hard to run as normal. Since our revenue comes basically from the monthly payment, our customers, who also get affected by the unstable income, are getting difficult to pay back to their leasing installment. To prevent the serious situation, we have always been trying to control every business process, including loan approval decision and even the unnecessary expense.

Thanks to tremendous support from the stakeholders as well as the parent company, Rennet Japan Group, a listed company in Japan, we have been able to maintain a sound financial base even in the current difficult economic climate. We are determined to take advantage of this favorable financial base to resolve various issues and achieve further growth.

Takeshi Kuroda
Board Chairman



BOARD OF DIRECTORS



TAKESHI KURODA

Chairman of the board

Mr. Kuroda is the Chairman of the board of Mobility Finance (Cambodia) Plc, and the President and CEO of Renet Japan Group. In 1989, he joined Toyota Motor Corporation. In 1998, after leaving Toyota Motor Corporation, he established BOOKOFF WAVE Co., Ltd and became a President and CEO. In 2000, he established eBOOKOFF Co., Ltd (currently Renet Japan Group, Inc) as a President and CEO. In December 2016, Renet Japan Group, Inc was successfully listed on Tokyo Stock Exchange.



YOSHITAKA TAKAHASHI

Independent Director

Mr. Takahashi was appointed as the board of Independent Director of Mobility Finance in May 2019. Since 2008, he has been the Independent Director of Renet Japan Group Inc, advising on business development. In 1990, he started his career at Andersen Consulting (currently Accenture Japan Ltd). After that, he joined Global Food Creators Co., Ltd where he direct IPO of that company. In 1999, he set up his own consulting business and worked for numerous companies to support business development.



TOSHIYA MATSUO

Director

Mr. Matsuo was appointed as the board of director of Mobility Finance (Cambodia) Plc in December 2019. He also serves as CEO at Mobility Finance (Cambodia) Plc, and CEO at Renet Japan (Cambodia) Co., Ltd. He has more than 25 years of experience in managing and conducting new business development as well as global business operation including PMI in ASEAN, Europe and USA. He held several senior management positions, including Executive Officer, President and CEO, Managing Director, in the several renowned companies. Over the years, he has been based in Thailand and Cambodia.



SHIZUKA AOKI

Director

Ms. Aoki was appointed as the board of director of Mobility Finance (Cambodia) Plc in December 2019. Her international working experience was started in 2016 in Thailand. In August 2018, she joined Renet Japan (Cambodia) Co., Ltd as General Manager. In September 2019, when ELIN Leasing Plc (currently Mobility Finance (Cambodia) Plc) started the business operation, she joined Mobility Finance (Cambodia) Plc as Chief Operation Officer (COO). She oversees budget and overall operations, including sales, marketing, credit evaluation, contracts, legal, finance, accounting, human resources and IT, both in strategic planning and execution.

MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)

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MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of Mobility Finance (Cambodia) Plc. ("the Company") for the financial year ended 31 December 2020.

Principal activities

The principal activity of the Company is financial leasing operation. There have been no significant changes in the nature of these activities during the financial year.

Results of operations

	US\$	KHR'000
Loss for the financial year	<u>643,370</u>	<u>2,602,431</u>

Dividends

The Directors do not recommend the payment of any dividend for the current financial year.

Reserves and provisions

There were no material transfers to or from reserves or provisions during the current financial year.

Bad and doubtful debts

Before the statement of comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps to 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 themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances 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 material extent.

Current assets

Before the statement of comprehensive income and statement of financial position were made out, the Directors took reasonable steps to ensure that for any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Company have been written down to an amount expected if realised.

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

MOBILITY FINANCE (CAMBODIA) PLC.
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DIRECTORS' REPORT (continued)

Valuation methods

At the date of this report, the Directors are not aware of any circumstances, which have arisen and which may render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

Contingent and other 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 of the Company which has arisen since the end of the financial year.

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

Change of circumstances

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this 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 during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

Share capital

During the financial year, the registered and issued share capital of the Company was increased from US\$584,000 to US\$4,584,000 by way of issuance of 4,000,000 new ordinary shares of US\$1 each for cash for working capital purposes.

The newly issued shares rank pari passu in all respects with the existing shares of the Company. There were no other issues of shares during the financial year.

No option to take up unissued shares in the Company was granted during the financial year and there were no shares under options at the end of the financial year in respect of shares in the Company.

MOBILITY FINANCE (CAMBODIA) PLC.
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DIRECTORS' REPORT (continued)

Directors

The Directors who have held for office since the date of the last report are:

Takeshi Kuroda
Yoshitaka Takahashi
Toshiya Matsuo
Shizuka Aoki
Taro Ueno (resigned on 27 November 2020)
Kazunari Ogawa (resigned on 27 November 2020)
Khek Ravy (resigned on 27 November 2020)

Directors' benefits

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

Since the end of the previous financial year, the Directors have not received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Directors or with a firm of which the Directors is a member, or with a company in which the Directors has a substantial financial interest.

Directors' responsibility in respect of the financial statements

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

- (a) adopt appropriate accounting policies which are supported by reasonable judgements and estimates and then apply them consistently;
- (b) comply with the disclosure requirements of the Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRSs for SMEs") and the guidelines issued by the National Bank of Cambodia relating to the preparation and presentation of financial statements 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;
- (c) maintain adequate accounting records and an effective system of internal controls;
- (d) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue its operations in the foreseeable future; and
- (e) control and direct effectively the Company in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

MOBILITY FINANCE (CAMBODIA) PLC.
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DIRECTORS' REPORT (continued)

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

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Significant event during the financial year

The significant event during the financial year is disclosed in Note 26 to the financial statements.

Statement by the Directors

In the opinion of the Directors, the financial statements set out on pages 8 to 28 have been drawn up in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities and the guidelines issued by the National Bank of Cambodia so as to give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board,



Toshiya Matsuo
Director

Phnom Penh, Cambodia
Date: 21 April 2021

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)
(Registration No: Co. 3694 KH/2014)**

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Mobility Finance (Cambodia) Plc. (“the Company”), which comprise statement of financial position as at 31 December 2020, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies, as set out on pages 8 to 28.

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

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants and Auditors of the Kampuchea Institute of Certified Public Accountants and Auditors (“Code of Ethics”) and the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics and the IESBA Code.

Information Other than the Financial Statements and Auditors’ Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors’ Report but does not include the financial statements of the Company and our auditor’s report thereon.

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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)
(Registration No: Co. 3694 KH/2014)**

**Information Other than the Financial Statements and Auditors' Report Thereon
(continued)**

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

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities and the guidelines issued by the National Bank of Cambodia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)
(Registration No: Co. 3694 KH/2014) (continued)**

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with CISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other Matters

This report is made solely to the shareholders of the Company, as a body. We do not assume responsibility to any other person for the content of this report.

The image shows a handwritten signature in blue ink over a blue circular official stamp. The stamp contains the text 'BDO (Cambodia) Limited' in the center, with Khmer text around the perimeter and 'BDO (CAMBODIA) LIMITED' at the bottom. The signature is written over the stamp and extends to the left.

BDO (Cambodia) Limited

Phnom Penh, Cambodia
Date: 21 April 2021

MOBILITY FINANCE (CAMBODIA) PLC.
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020		2019
		US\$	KHR'000	US\$
ASSETS				
Non-current assets				
Property, plant and equipment	6	19,186	77,607	5,441
Intangible assets	7	6,110	24,715	8,433
Loans and receivables	8	<u>1,828,999</u>	<u>7,398,302</u>	<u>505,129</u>
		<u>1,854,295</u>	<u>7,500,624</u>	<u>519,003</u>
Current assets				
Inventories	9	73,676	298,019	6,615
Loans and receivables	8	344,117	1,391,953	81,758
Other receivables	10	55,295	223,668	10,203
Balances with National Bank of Cambodia	11	229,280	927,438	29,200
Balances with other banks	12	<u>1,201,683</u>	<u>4,860,808</u>	<u>70,672</u>
		<u>1,904,051</u>	<u>7,701,886</u>	<u>198,448</u>
TOTAL ASSETS		<u><u>3,758,346</u></u>	<u><u>15,202,510</u></u>	<u><u>717,451</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital	13	4,584,000	18,542,280	584,000
Regulatory reserve	14	24,353	98,508	5,338
Accumulated losses		<u>(1,036,531)</u>	<u>(4,192,768)</u>	<u>(374,146)</u>
TOTAL EQUITY		<u><u>3,571,822</u></u>	<u><u>14,448,020</u></u>	<u><u>215,192</u></u>
LIABILITIES				
Non-current liability				
Deferred tax liability		<u>709</u>	<u>2,868</u>	<u>709</u>
Current liabilities				
Deferred income	15	16,330	66,055	-
Other payables	16	169,132	684,139	101,344
Borrowing	17	-	-	400,000
Current tax liabilities		<u>353</u>	<u>1,428</u>	<u>206</u>
		<u>185,815</u>	<u>751,622</u>	<u>501,550</u>
TOTAL LIABILITIES		<u><u>186,524</u></u>	<u><u>754,490</u></u>	<u><u>502,259</u></u>
TOTAL LIABILITIES AND EQUITY		<u><u>3,758,346</u></u>	<u><u>15,202,510</u></u>	<u><u>717,451</u></u>

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

MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)

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

	Note	2020		2019
		US\$	KHR'000	US\$
Interest income	18	331,799	1,342,127	24,716
Interest expense	19	<u>(212,436)</u>	<u>(859,304)</u>	<u>(1,447)</u>
Net interest income		119,363	482,823	23,269
Other income	20	117,526	475,393	18,879
Administrative expenses	21	<u>(875,473)</u>	<u>(3,541,288)</u>	<u>(277,190)</u>
Loss before tax		(638,584)	(2,583,072)	(235,042)
Tax expense	22	<u>(4,786)</u>	<u>(19,359)</u>	<u>(471)</u>
Loss for the financial year		(643,370)	(2,602,431)	(235,513)
Other comprehensive income, net of tax		<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive loss for the financial year		<u>(643,370)</u>	<u>(2,602,431)</u>	<u>(235,513)</u>

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

MOBILITY FINANCE (CAMBODIA) PLC.
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Share capital US\$	Regulatory reserve US\$	Accumulated losses US\$	Total US\$
Balance as at 1 January 2019		584,000	-	(133,295)	450,705
Loss for the financial year, representing total comprehensive loss		-	-	(235,513)	(235,513)
Transaction with owners					
Transfer to regulatory reserve, representing total transaction with owners		-	5,338	(5,338)	-
Balance as at 31 December 2019		584,000	5,338	(374,146)	215,192
Loss for the financial year, representing total comprehensive loss		-	-	(643,370)	(643,370)
Transactions with owners					
Share issue	13	4,000,000	-	-	4,000,000
Transfer to regulatory reserve		-	19,015	(19,015)	-
Total transactions with owners		4,000,000	19,015	(19,015)	4,000,000
Balance as at 31 December 2020		4,584,000	24,353	(1,036,531)	3,571,822
<i>(KHR '000 equivalent)</i>		<i>18,542,280</i>	<i>98,508</i>	<i>(4,192,768)</i>	<i>14,448,020</i>

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

MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)

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

	Note	2020		2019
		US\$	KHR'000	US\$
Cash flows from operating activities				
Loss before tax		(638,584)	(2,583,072)	(235,042)
Adjustments for:				
Amortisation of intangible assets	7	2,323	9,397	3,753
Depreciation of property, plant and equipment	6	11,204	45,320	6,718
Impairment loss on loans and receivables		19,275	77,967	7,062
Interest income	20	(43,587)	(176,309)	-
Interest expense	19	212,436	859,304	1,447
Gain on disposals of property, plant and equipment		(5,545)	(22,430)	-
Operating loss before working capital changes		(442,478)	(1,789,823)	(216,062)
Changes in working capital				
Inventories		(67,061)	(271,262)	(6,615)
Loans and receivables		(1,605,504)	(6,494,264)	(544,116)
Other receivables		(45,092)	(182,397)	(1,879)
Other payables		85,362	345,289	79,801
Cash used in operations		(2,074,773)	(8,392,457)	(688,871)
Placement of statutory deposit		(200,000)	(809,000)	-
Interest paid		(213,680)	(864,335)	-
Income tax paid		(4,639)	(18,765)	(292)
Net cash used in operating activities		(2,493,092)	(10,084,557)	(689,163)
Cash flows from investing activities				
Interest received	20	43,587	176,309	-
Purchase of property, plant and equipment	6	(26,511)	(107,237)	(1,155)
Purchase of intangible assets	7	-	-	(7,500)
Proceeds from disposal of property, plant and equipment		7,107	28,749	-
Net cash from/(used in) investing activities		24,183	97,821	(8,655)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares	13	4,000,000	16,180,000	-
Drawdown of borrowing		5,000,000	20,225,000	400,000
Repayment of borrowings		(5,400,000)	(21,843,000)	-
Net cash from financing activities		3,600,000	14,562,000	400,000
Net increase/(decrease) in cash and cash equivalents		1,131,091	4,575,264	(297,818)
Cash and cash equivalents at beginning of financial year		70,672	285,868	368,490
Cash and cash equivalents at end of financial year		1,201,763	4,861,132	70,672

MOBILITY FINANCE (CAMBODIA) PLC.
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

Cash and cash equivalents comprise the following:

	Note	2020		2019
		US\$	KHR'000	US\$
Balances with National Bank of Cambodia (excluding statutory deposit)	11	80	324	-
Balances with other banks	12	<u>1,201,683</u>	<u>4,860,808</u>	<u>70,672</u>
		<u>1,201,763</u>	<u>4,861,132</u>	<u>70,672</u>

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

MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

1. CORPORATE INFORMATION

Mobility Finance (Cambodia) Plc. (“the Company”) is a public limited company incorporated in Cambodia under registration number Co. 3694 KH/2014 dated 8 December 2014, issued by the Ministry of Commerce.

The Company obtained its license from the National Bank of Cambodia (“NBC”) to operate as a financial leasing company on 17 February 2015.

The holding company is Renet Japan Group Inc., which is incorporated in Japan.

The registered office of the Company is located at 5th Floor, No. 425, St. 271, Sangkat Toul Tom Pong 2, Khan Chamkarmon, Phnom Penh, Cambodia, the Kingdom of Cambodia.

The financial statements are presented in United States Dollar (“US\$”), which is also the Company’s functional currency.

The financial statements were authorised for issue by Board of Directors on 21 April 2021.

2. PRINCIPAL ACTIVITY

The principal activity of the Company is financial leasing operation. There have been no significant changes in the nature of this activity during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRSs for SMEs”) as issued by the National Accounting Council of the Ministry of Economy and Finance and the guidelines issued by the NBC relating to the preparation and presentation of financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with CIFRSs for SMEs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5 to the financial statements. Although these estimates and assumptions are based on the Directors’ best knowledge of events and actions, actual results could differ from those estimates.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Basis of accounting (continued)

In compliance with the requirements of the NBC, all assets, liabilities, profit and loss items in foreign currencies at the end of the reporting year are converted into thousand Khmer Riel (“KHR’000”) using the official exchange rate announced by the NBC at the end of the reporting year, US\$1 = KHR4,045 (2019: US\$1 = KHR4,075). Such conversions should not be construed as representations that the US\$ amounts have been, could be, or could in the future be, converted into KHR at this or any other rate of exchange.

4.2 Balances with National Bank of Cambodia

Balances with National Bank of Cambodia represent mandatory reserve deposits and cash maintained with the National Bank of Cambodia in compliance with the Law on Banking and Financial Institutions (“LBFI”). Statutory deposits are 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.

4.3 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods are as follows:

Leasehold improvement	5 years
Office furniture, fixture and equipment	2-4 years
Motor vehicles	4 years
Computer and IT equipment	2 years

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.6 to the financial statements on impairment of non-financial assets).

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4.4 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average basis. The cost comprises all costs of purchase, cost of conversion plus other cost incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sales.

4.6 Impairment of non-financial assets

The carrying amount of assets, except for financial assets and inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal 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 which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to reduce the carrying amount of the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

4.7 Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial instruments

An entity shall recognise a financial asset or a financial liability only when the entity becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is recognised initially at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction.

Loans to customers and other receivables are recognised initially at the transaction price. Subsequently they are measured at amortised cost using the effective interest method, less any impairment. Loans to customers are made on normal credit terms and loan receivables bear interest. At the end of each reporting period, the carrying amounts of loans to customers and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

Other payables and borrowings are recognised initially at transaction price. After initial recognition they are measured at amortised cost using the effective interest method. Trade payables are on normal credit terms and do not bear interest.

4.9 Impairment of financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

The Company collectively considers factors such as the probability of bankruptcy or significant financial difficulties, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss has occurred. Other factors may also be evidence of impairment, including the restructuring of a loan, disappearance of an active market for a security and adverse changes that have taken place in the economic environment.

If there is objective evidence that an impairment loss has been incurred for loans which are deemed to be individually significant, the amount of loss is measured as the difference between the carrying amount of loans and the present value of estimated future cash flows discounted at the original effective interest rate of the loans. The carrying amount of the loans is reduced through the use of an impairment allowance account and the amount of the impairment loss is recognised in the statement of comprehensive income.

Loans which are not individually significant and that have been individually assessed with no evidence of impairment loss are grouped together for collective impairment assessment. These loans are grouped within similar credit risk characteristics for collective assessment, whereby data from the loans, advances and financing portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios, etc.) and concentrations of risks (such as the performance of different individual groups) are taken into consideration.

If, in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in the statement of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Regulatory reserve

Regulatory reserve is maintained in addition to the allowance for doubtful loans that has been assessed and recognised in accordance with CIFRS for SMEs and which has been transferred from the retained earnings, in accordance with NBC's Prakas No. B7-017-344 Pro Kor dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018.

NBC guidelines require microfinance institutions to classify their loan portfolio into the following five classes and ensure that the minimum mandatory level of specific allowance is made:

Classification	Number of days past due	Allowance
Short-term loans (less than one year):		
General		
Normal	0 - 14 days	1%
Specific		
Special mention	15 - 30 days	3%
Sub-standard	31 - 60 days	20%
Doubtful	61 - 90 days	50%
Loss	91 days or more	100%
Long-term loans (more than one year)		
General		
Normal	0 - 29 days	1%
Specific		
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 of Prakas No. B7-017-344 Pro Kor, the Company shall compare the allowance calculated in accordance with above requirements and the Company's allowance recorded under CIFRS for SMEs:

- If the regulatory allowance is lower, the Company records the allowance calculated in accordance with CIFRS for SMEs; and
- If the regulatory allowance is higher, the Company records the allowance calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings to regulatory reserve in equity.

4.11 Income taxes

Income taxes include all taxes on taxable profit. Taxes in the statement of comprehensive income comprise current tax and deferred tax.

- Current tax

Current tax expenses are determined according to the tax laws and include all taxes based upon the taxable profits.

- Deferred tax

A deferred tax asset or liability is recognised for tax recoverable or payable in future periods as a result of past transactions or events. Deferred tax arises from differences (known as temporary differences) between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their corresponding tax bases. The tax bases of assets are determined by the consequences of sale of the assets.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Income taxes (continued)

(b) Deferred tax (continued)

Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future, except those associated with goodwill. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future and any unused tax losses.

Deferred tax assets are measured at the highest amount that is more likely than not to be recovered, based on current or estimated future taxable profit. 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, unless attributable to an item 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 management 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.

4.12 Provisions

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

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.13 Interest recognition

(a) Interest income

Interest income is recognised using the effective interest method.

Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customers' loan accounts are classified as non-performing where repayments are in arrears for 31 days and more for short-term loans and 90 days or more for long-term loans.

(b) Fees and commission income

The Company earns fee and commission income mainly from early settlements of loans, penalties and loan monitoring. They are recognised in the statement of comprehensive income on an accrual basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Company.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Company.

Bonuses are recognised as an expense when there is present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Termination benefits

Termination benefits are payments due to employees as a result of the termination of employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are recognised as a liability and an expense when the Company has a detailed formal plan for termination with no realistic possibility of withdrawal. In the case of voluntary redundancy, the benefits are accounted for based on the number of employees expected to accept the offer.

Where termination benefits fall due more than 12 months after the end of reporting period, they are discounted to present value based on market yields at the end of reporting period.

4.15 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The national currency of Cambodia is Khmer Riel ("KHR"). However, as the Company transacts its business and maintains its accounting records primarily in United States Dollar ("US\$"), management have determined US\$ to be the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currency at rate of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

5.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates during the reporting period end and as at the end of the reporting period.

5.2 Critical judgements made in applying accounting policies

There are no critical judgements made by the management in the process of applying the Company's accounting policies that have the most significant effect on the amount recognised in these financial statements apart from those involving estimates, which are dealt with below.

5.3 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment based on historical experience, the expected usage, wear and tear of the assets and technical obsolescence arising from changes in market demands or service output of the assets. Changes in these factors could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of receivables

The Company makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(c) Tax expense

Significant judgement is involved in determining the Company's provision for taxes. The Company will recognise liabilities for expected tax expenses based on an estimate of whether the taxes are due through management's interpretation of the various tax legislations. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the tax provision in the financial year in which such determination is made.

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement US\$	Office furniture, fixture and equipment US\$	Motor vehicles US\$	Computer and IT equipment US\$	Total US\$
<i>Cost</i>					
Balance at 1.1.2019	2,798	5,430	10,250	19,528	38,006
Additions	-	-	-	1,155	1,155
Balance at 31.12.2019	2,798	5,430	10,250	20,683	39,161
Additions	-	1,486	15,455	9,570	26,511
Disposals	(2,798)	(2,900)	(9,350)	(4,780)	(19,828)
Balance at 31.12.2020	-	4,016	16,355	25,473	45,844
<i>Accumulated depreciation</i>					
Balance at 1.1.2019	2,165	3,782	7,290	13,765	27,002
Depreciation for the year	558	1,085	2,370	2,705	6,718
Balance at 31.12.2019	2,723	4,867	9,660	16,470	33,720
Depreciation for the year	75	929	2,243	7,957	11,204
Disposals	(2,798)	(2,981)	(9,375)	(3,112)	(18,266)
Balance at 31.12.2020	-	2,815	2,528	21,315	26,658
<i>Carrying amounts</i>					
Balance as at 31.12.2020	-	1,201	13,827	4,158	19,186
<i>(KHR'000 equivalent)</i>	-	4,858	55,930	16,819	77,607
Balance as at 31.12.2019	75	563	590	4,213	5,441

7. INTANGIBLE ASSETS

	Computer software US\$
<i>Cost</i>	
Balance at 1.1.2019	17,700
Additions	7,500
Balance at 31.12.2019/31.12.2020	25,200
<i>Accumulated amortisation</i>	
Balance at 1.1.2019	13,014
Amortisation for the year	3,753
Balance at 31.12.2019	16,767
Amortisation for the year	2,323
Balance at 31.12.2020	19,090
<i>Carrying amounts</i>	
Balance as at 31.12.2020	6,110
<i>(KHR'000 equivalent)</i>	24,715
Balance as at 31.12.2019	8,433

8. LOANS AND RECEIVABLES

	2020		2019
	US\$	KHR'000	US\$
Hire purchase receivables - gross	3,341,116	13,514,815	929,749
Less: Unearned finance income	<u>(1,139,018)</u>	<u>(4,607,328)</u>	<u>(333,155)</u>
	2,202,098	8,907,487	596,594
Less: Impairment loss	<u>(28,982)</u>	<u>(117,232)</u>	<u>(9,707)</u>
Hire purchase receivables - net	2,173,116	8,790,255	586,887
Less: Current portion	<u>(344,117)</u>	<u>(1,391,953)</u>	<u>(81,758)</u>
Hire purchase receivables - long term portion	<u>1,828,999</u>	<u>7,398,302</u>	<u>505,129</u>

As at 31 December 2020, a reconciliation between minimum lease payments in the hire purchase contracts together with the present value of future minimum lease payments receivables are as follows:

	2020		2019	
	Minimum lease payments of hire purchase contract US\$	Present value of future minimum hire purchase contract US\$	Minimum lease payments of hire purchase contract US\$	Present value of future minimum hire purchase contract US\$
- not later than one year	780,204	373,099	190,067	91,465
- later than one year and not later than five years	<u>2,560,911</u>	<u>1,828,999</u>	<u>739,682</u>	<u>505,129</u>
	3,341,116	2,202,098	929,749	596,594
Less:				
Unearned finance income	<u>(1,139,018)</u>		<u>(333,155)</u>	
Total	<u>2,202,098</u>		<u>596,594</u>	

9. INVENTORIES

	2020		2019
	US\$	KHR'000	US\$
At cost			
Consumable inventories	13,761	55,663	6,615
At net realisable value			
Motor vehicles	<u>59,915</u>	<u>242,356</u>	<u>-</u>
	<u>73,676</u>	<u>298,019</u>	<u>6,615</u>

10. OTHER RECEIVABLES

	2020		2019
	US\$	KHR'000	US\$
Interest receivable	27,453	111,047	-
Related parties	1,024	4,142	3,600
Prepayments	5,730	23,178	895
Advances	358	1,448	900
Others	20,730	83,853	4,808
	<u>55,295</u>	<u>223,668</u>	<u>10,203</u>

11. BALANCES WITH NATIONAL BANK OF CAMBODIA

	2020		2019
	US\$	KHR'000	US\$
Statutory deposit	229,200	927,114	29,200
Current account	80	324	-
	<u>229,280</u>	<u>927,438</u>	<u>29,200</u>

In compliance with Prakas B7-011-232 Pro Kor dated 27 December 2011 on the Licensing of Finance Lease Companies, the Company is required to maintain a statutory capital deposit with the NBC of 5% of registered capital. This deposit is refundable should the Company voluntarily liquidate.

12. BALANCES WITH OTHER BANKS

	2020		2019
	US\$	KHR'000	US\$
Amret MFI Plc.	400,092	1,618,372	-
Aceda Bank Plc.	365,252	1,477,444	46,707
Advance Bank of Asia Limited	27,202	110,032	-
Cambodian Public Bank	-	-	930
Canadia Bank Plc.	-	-	5,519
CIMB Bank Plc.	-	-	5,055
Foreign Trade Bank of Cambodia	-	-	12,461
Hattha Bank Plc.	400,502	1,620,031	-
SBI Ly Hour Bank Plc.	8,635	34,929	-
	<u>1,201,683</u>	<u>4,860,808</u>	<u>70,672</u>

13. SHARE CAPITAL

	2020		2019	
	Number	US\$	Number	US\$
Ordinary shares of US\$1 (2019: US\$1) each				
Registered	4,584,000	4,584,000	584,000	584,000
Registered and issued:				
At 1 January	584,000	584,000	584,000	584,000
Issued pursuant to:				
- new issue	4,000,000	4,000,000	-	-
At 31 December	4,584,000	4,584,000	584,000	584,000
<i>(KHR'000 equivalent)</i>		<u>18,542,280</u>		

During the financial year, the registered and issued share capital of the Company was increased from US\$584,000 to US\$4,584,000 by way of issuance of 4,000,000 new ordinary shares of US\$1 each for cash for working capital purposes.

The owners of the Company are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

14. REGULATORY RESERVE

Regulatory reserve is maintained in addition to the allowance for doubtful loans that has been assessed and recognised in accordance with CIFRS for SMEs and which has been transferred from the retained earnings, in accordance with NBC's Prakas No. B7-017-344 Pro Kor dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018.

15. DEFERRED INCOME

Deferred income represent the unearned interest income, which form part of the integral effective interest rate of a financial instrument. Deferred income is recognised as an adjustment to the effective interest rate and recorded as part of "interest income" in the statement of comprehensive income.

16. OTHER PAYABLES

	2020		2019
	US\$	KHR'000	US\$
Holding company	-	-	1,244
Accrued expenses	23,361	94,495	29,497
Other taxes payable	8,465	34,241	15,639
Others	137,306	555,403	54,964
	<u>169,132</u>	<u>684,139</u>	<u>101,344</u>

17. BORROWING

	2020		2019
	US\$	KHR'000	US\$
Term loan	-	-	400,000

The term loan represented loan from holding company. This term loan bore interest at a rate of 4.00% per annum and was repaid on 31 May 2020.

18. INTEREST INCOME

	2020		2019
	US\$	KHR'000	US\$
Hire purchase interest income	331,799	1,342,127	24,716

19. INTEREST EXPENSE

	2020		2019
	US\$	KHR'000	US\$
Term loan	212,436	859,304	1,447

20. OTHER OPERATING INCOME

	2020		2019
	US\$	KHR'000	US\$
Interest income	43,587	176,309	-
Penalty income	131	530	-
Gain on disposals of property, plant and equipment	5,545	22,430	-
Commission income	56,579	228,862	14,590
Rental income	10,800	43,686	3,600
Foreign exchange gain	438	1,771	32
Other income	446	1,805	657
	<u>117,526</u>	<u>475,393</u>	<u>18,879</u>

21. ADMINISTRATIVE EXPENSES

	2020		2019
	US\$	KHR'000	US\$
Amortisation of intangible assets	2,323	9,397	3,753
Depreciation of property, plant and equipment	11,204	45,320	6,718
Staff costs	438,042	1,771,880	158,285
Impairment loss on loans and receivables	19,275	77,967	7,062
Office rental	46,616	188,562	32,123
Dues and membership fees	2,500	10,113	5,500
Communication expenses	13,468	54,478	198
Professional fees	107,810	436,091	17,909
Utilities	4,480	18,122	1,084
Transportation expenses	6,990	28,275	5,769
Office supplies	1,969	7,964	596
Others	220,796	893,119	38,193
	<u>875,473</u>	<u>3,541,288</u>	<u>277,190</u>

22. TAX EXPENSE

	2020		2019
	US\$	KHR'000	US\$
Income tax expense:			
Current year	4,786	19,359	471

Under the Cambodian Law on Taxation, the Company has an obligation to pay tax on profit at 20% (2019: 20%) of the taxable profit or a minimum tax at 1% (2019: 1%) of total revenue, whichever is higher.

The numerical reconciliation between the tax expense and the product of accounting loss multiplied by the applicable tax rate of the Company is as follows:

	2020		2019
	US\$	KHR'000	US\$
Loss before tax	(638,584)	(2,583,072)	(235,042)
Tax at Cambodian statutory tax rate of 20% (2019: 20%)	(127,717)	(516,615)	(47,008)
Tax effects in respect of:			
Non-allowable expenses	8,104	32,781	3,530
Deferred tax asset not recognised during the year	121,839	492,838	45,303
Tax allowance	(2,226)	(9,004)	(1,825)
Statutory minimum tax	4,786	19,359	471
Total tax expense	4,786	19,359	471

The amount of temporary differences for which no deferred tax asset has been recognised in the statement of financial position is as follows:

	2020		2019
	US\$	KHR'000	US\$
Unused tax losses			
- Expire by 31 December 2023	146,479	592,508	146,479
- Expire by 31 December 2024	226,513	916,245	226,513
- Expire by 31 December 2025	609,196	2,464,198	-
	982,188	3,972,951	372,992

Deferred tax asset has not been recognised in respect of this item as it is not probable that taxable profits of the Company would be available against which the deductible temporary differences could be utilised.

The unused tax losses are subject to review and agreement by the General Department of Taxation.

23. OPERATING LEASE COMMITMENTS

The Company as lessee

The Company had entered into non-cancellable lease agreements for office space, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rates. At year-end, the Company has outstanding commitments under non-cancellable operating leases that fall due, as follows:

	2020		2019
	US\$	KHR'000	US\$
Not later than one year	18,418	74,501	32,123
Later than one year and not later than five years	<u>43,384</u>	<u>175,490</u>	<u>90,570</u>
	<u>61,802</u>	<u>249,991</u>	<u>122,693</u>

24. RELATED PARTY DISCLOSURES

The Company had the following transactions with related parties during the financial period.

	2020	2019
	US\$	US\$
<u>Holding company</u>		
Renet Japan Group Inc.		
Drawdown of borrowing	5,000,000	400,000
Interest expense	212,436	1,447
Repayments by the Company	5,400,000	-
<u>Common control</u>		
Renet Japan (Cambodia) Ltd.		
Office rental	10,800	3,600
Payment on management fee	62,000	-
Purchases	4,770	-
Metrey HR Co.,Ltd		
Office rental	16,000	8,000
Car inspection service	<u>26,641</u>	<u>2,640</u>

Balances with related parties at the end of the reporting period are disclosed in Note 10, Note 16 and Note 17 to the financial statements.

The related party transactions described above were carried out on negotiated commercial terms.

25. TAXATION CONTINGENCIES

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

26. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The World Health Organisation declared the 2019 Novel Coronavirus infection (“COVID-19”) a pandemic on 11 March 2020.

As at the date of authorisation of the financial statements, the COVID-19 situation is still evolving and unpredictable. Consequently, the Company is unable to estimate the financial effects of COVID-19 pandemic at this juncture. The Company is actively monitoring and managing its operations to minimise any impact arising from the COVID-19 pandemic.