

MOBILITY FINANCE (CAMBODIA) PLC.

ANNUAL REPORT 2021

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MESSAGE FROM CHAIRMAN



TAKESHI KURODA

CHAIRMAN OF THE BOARD

The global Covid-19 pandemic has severely impacted all of Cambodia and will the impact through 2021. Although the Cambodian economy is recovering, it will take more time for most business sectors, including the financial sector, to fully recover from its severe damage.

In such circumstance, Mobility Finance (Cambodia) Plc. has made risk aversion a top priority for 2021 and has decided to temporarily suspend leasing to new clients until it can improve the quality of its portfolio. As a result of reducing non-performing loans and improving delinquency rates, the company was able to significantly improve the quality of its portfolio. Our credit risk management practices during this period will lead to further improvements in management and operations going forward. We will continue to monitor the economic recovery and look for opportunities to resume operations in the second half of 2022.

We must admit that the past few years have been a great challenge for us. On behalf of Mobility Finance (Cambodia), I would like to thank the management team, staff at all levels and all stakeholders for their valuable contributions during this difficult period.

黒田 武志

TAKESHI KURODA

CHAIRMAN OF THE BOARD

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 (Cambodia) Plc. 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 Anderson 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 of 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 jointed 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 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 2021.

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	43,473	177,109

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.

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.

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

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

The Company did not issue any shares during the current 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.

Directors

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

Takeshi Kuroda
Yoshitaka Takahashi
Toshiya Matsuo
Shizuka Aoki

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

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 2021, 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.

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 25 to the financial statements.

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

Statement by the Directors

In the opinion of the Directors, the financial statements set out on pages 8 to 27 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 2021, 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: 31 March 2022

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)
(Registration No: Co. 00000306)

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 2021, 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 27.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)
(Registration No: Co. 00000306)

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)
(Registration No: Co. 00000306) (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)

- 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.



Phnom Penh, Cambodia
Date: 31 March 2022

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Note	2021 US\$	2021 KHR'000	2020 US\$
ASSETS				
Non-current assets				
Property, plant and equipment	6	10,793	43,971	19,186
Intangible assets	7	4,332	17,649	6,110
Loans and receivables	8	<u>1,156,165</u>	<u>4,710,215</u>	<u>1,828,999</u>
		<u>1,171,290</u>	<u>4,771,835</u>	<u>1,854,295</u>
Current assets				
Inventories	9	122,073	497,325	73,676
Loans and receivables	8	316,943	1,291,226	344,117
Other receivables	10	58,609	238,773	55,295
Balances with National Bank of Cambodia	11	229,241	933,928	229,280
Balances with other banks	12	<u>1,771,634</u>	<u>7,217,637</u>	<u>1,201,683</u>
		<u>2,498,500</u>	<u>10,178,889</u>	<u>1,904,051</u>
TOTAL ASSETS		<u>3,669,790</u>	<u>14,950,724</u>	<u>3,758,346</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	13	4,584,000	18,675,216	4,584,000
Regulatory reserve	14	150,078	611,418	24,353
Accumulated losses		<u>(1,205,729)</u>	<u>(4,912,140)</u>	<u>(1,036,531)</u>
TOTAL EQUITY		<u>3,528,349</u>	<u>14,374,494</u>	<u>3,571,822</u>
LIABILITIES				
Non-current liability				
Deferred tax liability		<u>709</u>	<u>2,888</u>	<u>709</u>
Current liabilities				
Deferred income	15	20,609	83,961	16,330
Other payables	16	119,794	488,041	169,132
Current tax liabilities		<u>329</u>	<u>1,340</u>	<u>353</u>
		<u>140,732</u>	<u>573,342</u>	<u>185,815</u>
TOTAL LIABILITIES		<u>141,441</u>	<u>576,230</u>	<u>186,524</u>
TOTAL LIABILITIES AND EQUITY		<u>3,669,790</u>	<u>14,950,724</u>	<u>3,758,346</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 2021**

	Note	2021 US\$	2021 KHR'000	2020 US\$
Interest income	17	319,462	1,301,488	331,799
Interest expense	18	-	-	(212,436)
Net interest income		319,462	1,301,488	119,363
Other income	19	68,206	277,871	117,526
Administrative expenses	20	(427,398)	(1,741,219)	(875,473)
Loss before tax		(39,730)	(161,860)	(638,584)
Tax expense	21	(3,743)	(15,249)	(4,786)
Loss for the financial year		(43,473)	(177,109)	(643,370)
Other comprehensive income, net of tax		-	-	-
Total comprehensive loss for the financial year		<u>(43,473)</u>	<u>(177,109)</u>	<u>(643,370)</u>

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

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	Note	Share capital US\$	Regulatory reserve US\$	Accumulated losses US\$	Total US\$
Balance as at 1 January 2020		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		<u>4,000,000</u>	<u>19,015</u>	<u>(19,015)</u>	<u>4,000,000</u>
Balance as at 31 December 2020		4,584,000	24,353	(1,036,531)	3,571,822
Loss for the financial year, representing total comprehensive loss		-	-	(43,473)	(43,473)
Transaction with owners					
Transfer to regulatory reserve, representing total transaction with owners		-	125,725	(125,725)	-
Balance as at 31 December 2021		4,584,000	150,078	(1,205,729)	3,528,349
<i>(KHR '000 equivalent)</i>		<u>18,675,216</u>	<u>611,418</u>	<u>(4,912,140)</u>	<u>14,374,494</u>

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 2021

	Note	2021 US\$	2021 KHR'000	2020 US\$
Cash flows from operating activities				
Loss before tax		(39,730)	(161,860)	(638,584)
Adjustments for:				
Amortisation of intangible assets	7	1,778	7,244	2,323
Depreciation of property, plant and equipment	6	9,428	38,410	11,204
(Reversal)/Allowance for impairment loss on loans and receivables		(13,329)	(54,302)	19,275
Interest income		(39,577)	(161,237)	(43,587)
Interest expense	18	-	-	212,436
Gain on disposals of property, plant and equipment		-	-	(5,545)
Operating loss before working capital changes		(81,430)	(331,745)	(442,478)
Changes in working capital				
Inventories		(48,397)	(197,169)	(67,061)
Loans and receivables		713,337	2,906,134	(1,605,504)
Other receivables		(3,314)	(13,501)	(45,092)
Other payables		(45,059)	(183,570)	85,362
Cash generated from/(used in) operations		535,137	2,180,149	(2,074,773)
Placement of statutory deposit		-	-	(200,000)
Interest paid		-	-	(213,680)
Income tax paid		(3,767)	(15,347)	(4,639)
Net cash from/(used in) operating activities		531,370	2,164,802	(2,493,092)
Cash flows from investing activities				
Interest received		39,577	161,237	43,587
Purchase of property, plant and equipment	6	(1,035)	(4,217)	(26,511)
Proceeds from disposal of property, plant and equipment		-	-	7,107
Net cash from investing activities		38,542	157,020	24,183
Cash flows from financing activities				
Proceeds from issuance of ordinary shares	13	-	-	4,000,000
Drawdown of borrowing		-	-	5,000,000
Repayment of borrowings		-	-	(5,400,000)
Net cash from financing activities		-	-	3,600,000
Net increase in cash and cash equivalents		569,912	2,321,822	1,131,091
Cash and cash equivalents at beginning of financial year		1,201,763	4,895,982	70,672
Cash and cash equivalents at end of financial year		1,771,675	7,217,804	1,201,763

MOBILITY FINANCE (CAMBODIA) PLC.
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)

Cash and cash equivalents comprise the following:

	Note	2021	2020
		US\$	KHR'000
Balances with National Bank of Cambodia (excluding statutory deposit)	11	41	167
Balances with other banks	12	<u>1,771,634</u>	<u>7,217,637</u>
		<u>1,771,675</u>	<u>7,217,804</u>
			<u>1,201,763</u>

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

1. CORPORATE INFORMATION

Mobility Finance (Cambodia) Plc. (“the Company”) is a public limited company incorporated in Cambodia under registration number Co. 00000306 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 31 March 2022.

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 = KHR4,074 (2020: US\$1 = KHR4,045). 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:

- (a) If the regulatory allowance is lower, the Company records the allowance calculated in accordance with CIFRS for SMEs; and
- (b) 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.

- (a) Current tax

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

- (b) 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.

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 1.1.2020	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
Additions	-	-	-	1,035	1,035
Balance at 31.12.2021	-	4,016	16,355	26,508	46,879
<i>Accumulated depreciation</i>					
Balance at 1.1.2020	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
Depreciation for the year	-	377	3,858	5,193	9,428
Balance at 31.12.2021	-	3,192	6,386	26,508	36,086
<i>Carrying amounts</i>					
Balance at 31.12.2021	-	824	9,969	-	10,793
<i>(KHR'000 equivalent)</i>	-	3,357	40,614	-	43,971
Balance at 31.12.2020	-	1,201	13,827	4,158	19,186

7. INTANGIBLE ASSETS

	Computer software US\$
<i>Cost</i>	
Balance at 1.1.2020/31.12.2020/31.12.2021	25,200
<i>Accumulated amortisation</i>	
Balance at 1.1.2020	16,767
Amortisation for the year	2,323
Balance at 31.12.2020	19,090
Amortisation for the year	1,778
Balance at 31.12.2021	20,868
<i>Carrying amounts</i>	
Balance at 31.12.2021	4,332
<i>(KHR'000 equivalent)</i>	17,649
Balance at 31.12.2020	6,110

8. LOANS AND RECEIVABLES

	2021 US\$	2021 KHR'000	2020 US\$
Hire purchase receivables - gross	2,128,799	8,672,726	3,341,116
Less: Unearned finance income	<u>(640,038)</u>	<u>(2,607,515)</u>	<u>(1,139,018)</u>
	1,488,761	6,065,211	2,202,098
Less: Impairment loss	<u>(15,653)</u>	<u>(63,770)</u>	<u>(28,982)</u>
Hire purchase receivables - net	1,473,108	6,001,441	2,173,116
Less: Current portion	<u>(316,943)</u>	<u>(1,291,226)</u>	<u>(344,117)</u>
Hire purchase receivables - long term portion	<u>1,156,165</u>	<u>4,710,215</u>	<u>1,828,999</u>

As at 31 December 2021, 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:

	2021 Minimum lease payments of hire purchase contract US\$	2021 Present value of future minimum hire purchase contract US\$	2020 Minimum lease payments of hire purchase contract US\$	2020 Present value of future minimum hire purchase contract US\$
- not later than one year	611,946	332,596	780,204	373,099
- later than one year and not later than five years	<u>1,516,853</u>	<u>1,156,165</u>	<u>2,560,911</u>	<u>1,828,999</u>
	2,128,799	1,488,761	3,341,116	2,202,098
Less:				
Unearned finance income	<u>(640,038)</u>		<u>(1,139,018)</u>	
Total	<u>1,488,761</u>		<u>2,202,098</u>	

9. INVENTORIES

	2021 US\$	2021 KHR'000	2020 US\$
At cost			
Consumable inventories	13,761	56,062	13,761
At net realisable value			
Motor vehicles	<u>108,312</u>	<u>441,263</u>	<u>59,915</u>
	<u>122,073</u>	<u>497,325</u>	<u>73,676</u>

10. OTHER RECEIVABLES

	2021 US\$	2020 KHR'000	2020 US\$
Interest receivable	13,107	53,398	27,453
Related parties	-	-	1,024
Prepayments	19,230	78,343	5,730
Advances	198	807	358
Others	<u>26,074</u>	<u>106,225</u>	<u>20,730</u>
	<u>58,609</u>	<u>238,773</u>	<u>55,295</u>

11. BALANCES WITH NATIONAL BANK OF CAMBODIA

	2021 US\$	2020 KHR'000	2020 US\$
Statutory deposit	229,200	933,761	229,200
Current account	<u>41</u>	<u>167</u>	<u>80</u>
	<u>229,241</u>	<u>933,928</u>	<u>229,280</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

	2021 US\$	2020 KHR'000	2020 US\$
Acleda Bank Plc.	1,316,461	5,363,262	365,252
Advance Bank of Asia Limited	15,842	64,540	27,202
Amret MFI Plc.	427,931	1,743,391	400,092
Hathha Bank Plc.	765	3,117	400,502
SBI Ly Hour Bank Plc.	<u>10,635</u>	<u>43,327</u>	<u>8,635</u>
	<u>1,771,634</u>	<u>7,217,637</u>	<u>1,201,683</u>

13. SHARE CAPITAL

	2021		2020	
	Number	US\$	Number	US\$
Ordinary shares of US\$1 each				
Registered	4,584,000	4,584,000	4,584,000	4,584,000
Registered and issued:				
At 1 January	4,584,000	4,584,000	584,000	584,000
Issued pursuant to:				
- new issue	-	-	4,000,000	4,000,000
At 31 December	<u>4,584,000</u>	<u>4,584,000</u>	<u>4,584,000</u>	<u>4,584,000</u>
(KHR '000 equivalent)			<u>18,675,216</u>	

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

	2021 US\$	2020 KHR'000	US\$
Accrued expenses	17,704	72,126	23,361
Other taxes payable	6,584	26,823	8,465
Others	<u>95,506</u>	<u>389,092</u>	<u>137,306</u>
	<u>119,794</u>	<u>488,041</u>	<u>169,132</u>

17. INTEREST INCOME

	2021 US\$	2020 KHR'000	US\$
Hire purchase interest income	<u>319,462</u>	<u>1,301,488</u>	<u>331,799</u>

18. INTEREST EXPENSE

	2021 US\$	2020 KHR'000	US\$
Term loan	<u>-</u>	<u>-</u>	<u>212,436</u>

19. OTHER OPERATING INCOME

	2021 US\$	2020 KHR'000	US\$
Interest income	39,577	161,237	43,587
Penalty income	2,981	12,145	131
Gain on disposals of property, plant and equipment	-	-	5,545
Commission income	1,820	7,415	56,579
Rental income	-	-	10,800
Foreign exchange gain	457	1,862	438
Reversal on loans and receivables	13,329	54,302	-
Other income	<u>10,042</u>	<u>40,910</u>	<u>446</u>
	<u>68,206</u>	<u>277,871</u>	<u>117,526</u>

20. ADMINISTRATIVE EXPENSES

	2021 US\$	2021 KHR'000	2020 US\$
Amortisation of intangible assets	1,778	7,244	2,323
Depreciation of property, plant and equipment	9,428	38,410	11,204
Staff costs	161,780	659,092	438,042
Impairment loss on loans and receivables	-	-	19,275
Office rental	22,680	92,398	46,616
Dues and membership fees	2,130	8,678	2,500
Communication expenses	5,055	20,594	13,468
Professional fees	77,881	317,287	107,810
Utilities	-	-	4,480
Transportation expenses	3,096	12,612	6,990
Office supplies	52	212	1,969
Provision for motor vehicles	37,558	153,011	-
Others	<u>105,960</u>	<u>431,681</u>	<u>220,796</u>
	<u>427,398</u>	<u>1,741,219</u>	<u>875,473</u>

21. TAX EXPENSE

	2021 US\$	2021 KHR'000	2020 US\$
Income tax expense:			
Current year	<u>3,743</u>	<u>15,249</u>	<u>4,786</u>

Under the Cambodian Law on Taxation, the Company has an obligation to pay tax on profit at 20% (2020: 20%) of the taxable profit or a minimum tax at 1% (2020: 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:

	2021 US\$	2021 KHR'000	2020 US\$
Loss before tax	<u>(39,730)</u>	<u>(161,860)</u>	<u>(638,584)</u>
Tax at Cambodian statutory tax rate of 20% (2020: 20%)	(7,946)	(32,372)	(127,717)
Tax effects in respect of:			
Non-allowable expenses	3,767	15,347	8,104
Deferred tax asset not recognised during the year	6,402	26,082	121,839
Tax allowance	(2,223)	(9,057)	(2,226)
Statutory minimum tax	<u>3,743</u>	<u>15,249</u>	<u>4,786</u>
Total tax expense	<u>3,743</u>	<u>15,249</u>	<u>4,786</u>

21. TAX EXPENSE (continued)

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

	2021 US\$	2020 KHR'000	2020 US\$
Unused tax losses			
- Expire by 31 December 2023	146,479	596,755	146,479
- Expire by 31 December 2024	226,513	922,814	226,513
- Expire by 31 December 2025	609,196	2,481,865	609,196
- Expire by 31 December 2026	32,009	130,405	-
	<hr/>	<hr/>	<hr/>
	1,014,197	4,131,839	982,188

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.

22. 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:

	2021 US\$	2020 KHR'000	2020 US\$
Not later than one year	32,242	131,356	18,418
Later than one year and not later than five years	132,447	539,589	43,384
Later than five years	2,759	11,241	-
	<hr/>	<hr/>	<hr/>
	167,448	682,186	61,802

23. RELATED PARTY DISCLOSURES

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

	2021 US\$	2020 US\$
<u>Holding company</u>		
Renet Japan Group Inc.		
Drawdown of borrowing	-	5,000,000
Interest expense	-	212,436
Repayments by the Company	-	5,400,000
<u>Common control</u>		
Renet Japan (Cambodia) Ltd.		
Office rental	-	10,800
Payment on management fee	24,200	62,000
Purchases	-	4,770
Metrey HR Co.,Ltd		
Office rental	-	16,000
Car inspection service	-	26,641

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

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

24. 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.

25. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 28 December 2021, the NBC issued Circular No. B7-021-2314 CL on Classification and Provisioning Requirement on Restructured Loans, which aims at phasing out the forbearance period for the existing restructured loans and phasing in classification and provisioning arrangements complying with the current regulation, Prakas No. B7-017-344 dated 1 December 2017 on Credit Risk Grading and Impairment Provisioning. In this regard, the NBC allows banking and financial institutions to implement this new circular effective from 1 January 2022.