

ម៉ាឌ័រ ហ្វាយណែនសល យេផេន គីអិលស៊ី

MOTHERS FINANCIAL JAPAN P.L.C.

# ANNUAL REPORT 2020

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# I. OVERALL OVERVIEW

## 1. General Description About MFJ



The advantages of global economic growth have contributed to supporting Cambodia's diverse economic sectors, including the financial sectors while the confidence and the investor's perspectives on Cambodia have become strong and positive. With these advantages, Cambodia's economy has achieved a better growth of around 5 percent during the past five-years. Meanwhile, MOTHERS FINANCIAL JAPAN Plc. (MFJ) has been playing a key role to reduce the poverty of the Cambodian people through transparent and high responsible loan products. MFJ always mainly focus on the prosperity through finding out the real need of customer every time.

To achieve this goal, our credit experts both local and internal have set up plentiful loan products with flexibility as the customers' needs.

Customers' growth and success are the final target of MFJ. In this regard, MFJ has assessed customers in a professional way in accordance with the real repayment capacity of customers. Besides thinking of the growth of customers MFJ also thinks of social welfare, environment, and social order. MFJ has a clear policy by not disbursed loan to any person or company which does not comply with the state law or being suspected of getting involved in any illegal acts.

Throughout 2020, we did respond to all of the customers' needs through providing small and medium loan sizes. The Institution has a smooth operation more than the previous year with the recognition of more customers and the loans disbursed is constantly growing. The Institution has strengthened its credit operation both quality and quantity to result in a low risk and with high transparency.

To obtain sustainable growth, the Institution has prepared and introduced a clear vision, mission, and code of conduct.

## 2. Vision, Mission, And Code Of Conduct

MFJ has its vision, mission, and code of conduct as below:

### A. Vision

- To be the most successful financial institution either for both customers and shareholders.

- To promote the Cambodian livelihood to contribute to the social and economic development through our financial services.
- The first choice once general people in a financial need.
- To provide the best financial services in Cambodia, distinguished by outstanding service, product innovation, and sustained earnings growth.

## **B. Mission**

To be partners of growth for our customers and shareholders. We will achieve this through:

- Providing plentiful financial services with professionalism and high responsibility.
- Meeting our Customers' expectations.
- Motivating & developing every staff.
- Advocating poverty reduction and social protection in Cambodia by promoting ethical and exclusive financial services.

## **C. Code Of Conduct**

In order to ensure the effectiveness, close collaboration, sustainable development, promotion of productivity together with the Institution's reputation, we shall abide by the Code of Conduct as below:

### **1. Confidentiality And Personal Rights**

Shall have a professional ethic in keeping strict confidentiality for customer, Institution and respect the personal rights of all persons.

### **2. Respect For Discipline**

Shall abide by Laws, Policy, Internal Regulation, Instruction along with any other task assignments.

### **3. Friendliness & Morality**

Shall exhibit a greeting attitude coupled with friendliness, politeness, dignity, mutual tolerance with high responsibilities.

### **4. Integrity**

Shall be honest to Institution namely not commit conflict of interest acts, fraud, theft, briberies, network base, corruption, and not use Institution's property for personal benefit.

### **5. Cleanliness**

All of the staff shall not use impolite, embarrassing, and telling lie words and shall not commit harassment, engage in gambling, and not consume the drug, alcohol during working hours.

### 3. Message From director



MFJ is the microfinance Institution which has been established by our Japanese shareholder. Our Management Team has been thinking to find the way together with the possibility to enable our customers to gain more profit from our loan products.

In compliance with its vision, MFJ has contributed to promoting the national and family's economy. For the past five-years, we have been playing a key role in providing loans as the customer's need. Our loan has contributed to the creation of jobs either in the services area, construction, industry, and business. MFJ wishes is to become a leading Institution and has the full capacity in response to the customers' needs.

In our business operation, MFJ has conducted a business operation with the **Principle of Integrity, Transparency, and Fair Competition** and always abide by the Laws and Regulations which have been introduced by the regulators particularly the National Bank of Cambodia (NBC). Moreover, MFJ has actively participated in promoting Khmer Riels by pushing and encouraging customers to understand the advantages of using the loan in Khmer Riels.

We are committed to promoting the value of our customers, shareholder, and all staff. We also consider our customers' needs and the benefit of our business partner. We found that only the responsible act and mutual assistance can push our business to get successful in a long term.

After gaining more trust from customers thus MFJ is enabled to get more capacity to take part in the financial market and enlarge the business operation broader to make it easy for customers. Meanwhile, MFJ has already conducted the research and taking other financial business opportunities.

The result so far will not be achieved without the support from regulators including the National Bank of Cambodia (NBC) and Cambodian Microfinance Association (CMA) along with all of our staff.

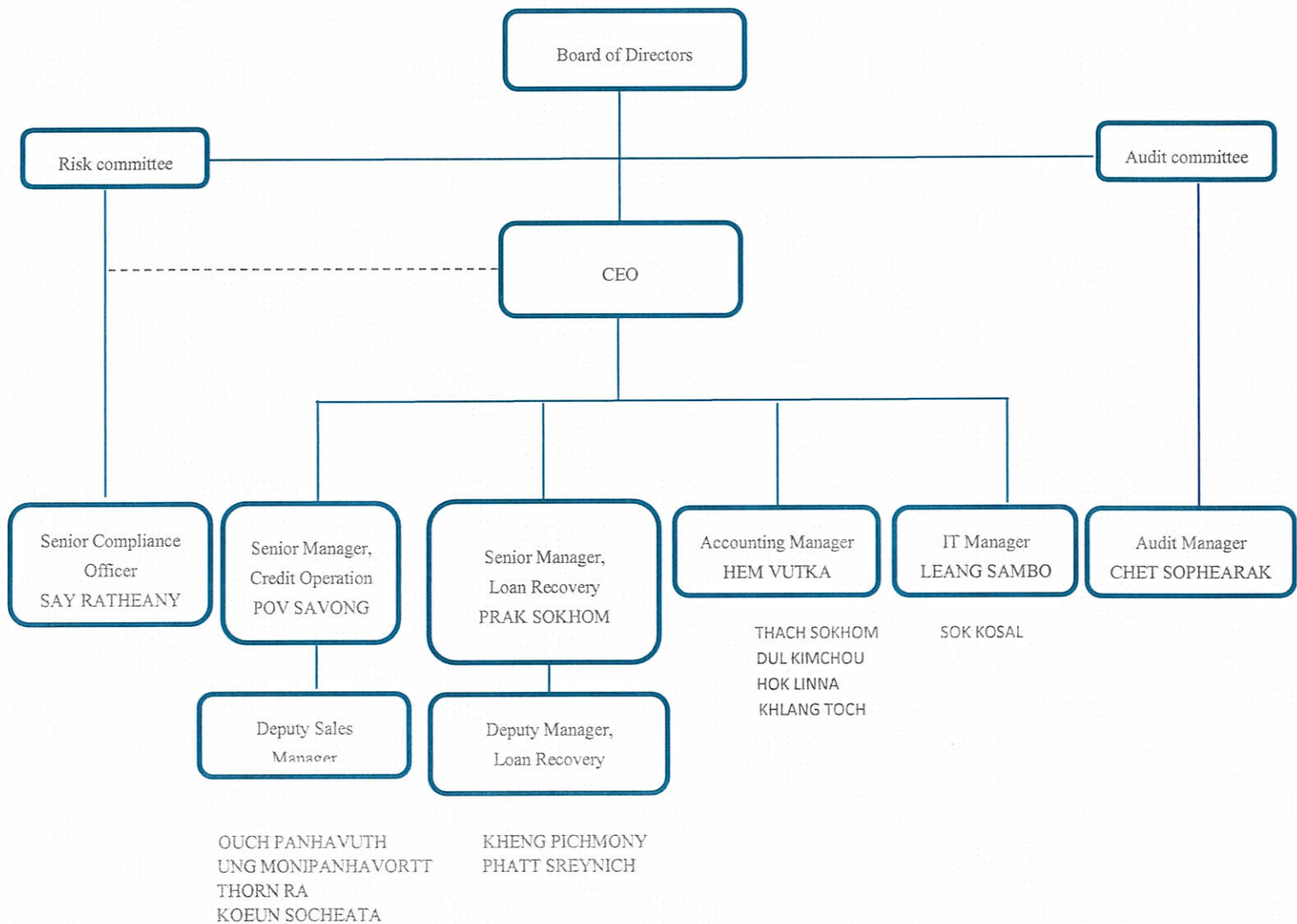
Finally, we would like to express a sincere thanks to the National Bank of Cambodia (NBC) and Cambodia Microfinance Association (CMA) together with the competent authorities of all levels who have provided a favorable environment and a lot of recommendations for our growth. Also, we are so grateful to our shareholders for their trust and provided funds to MFJ so far and also in the upcoming days. We also thank all staff and our business partners for their best efforts and loyalty to MFJ in all circumstances.

THANK YOU!

**DOI KENICHI**  
**Director**

## II. KEY SUMMARY ABOUT MFJ

### 1. Organizational Structure

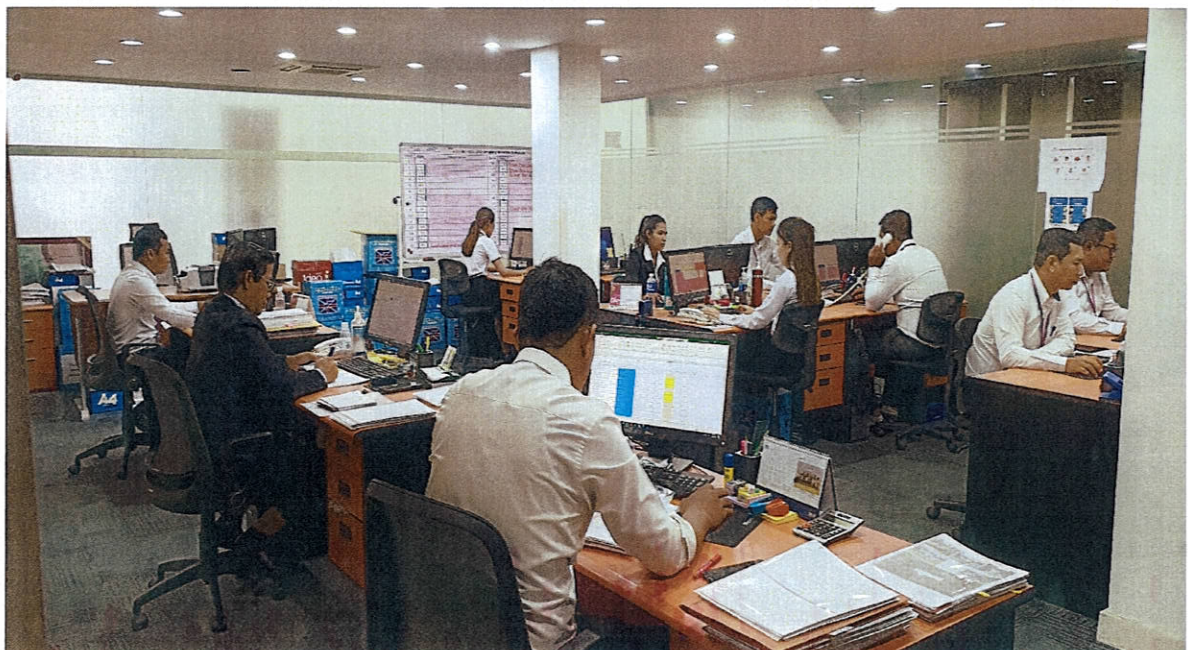


## 2. Operation Process



For the past five-year operation, MFJ has obtained great experiences in connection with providing loan and internal control strengthening. Practically, the internal control system in the Institution is even stronger and the staff is more familiar with providing services to customers to make MFJ become the priority option for customers who need financial services. This result due to the fact that the Institution always thinks of staff capacity building all the time.

## 3. Staff And Capacity Building



By the end of 2020, MFJ has a total staff of 18 and all staffs are highly committed to providing excellent services to customers to gain sustainable growth and to achieve the goal of the Institution. On a yearly basis, capacity building and staff development is the key tool for

MFJ to have the number of customers increased and finally get successful in the financial market.

To enable our service providing for customers be professionally and in a fast manner, MFJ's training program has been designed for both new staff and refreshment program.

Indeed, our recently recruited staff have been provided basic training on mission, vision, and loan products, working flow and sale strategy, and how to communicate with customers in an effective way. To make sure that the operation running smoothly, the trainings normally have been organized at the weekend. Department managers have been assigned as the trainers to share the challenge, weakness, strength, and policies of the Institution with various strategies to push sale activity more effective.

As the result in 2020, all staff of MFJ has been fully trained. Besides the internal training, the Management Team also has assigned staff to join workshops and other pieces of training organized by the Cambodia Microfinance Associations (CMA) and the National Bank of Cambodia (NBC).

Besides the training, in theory, MFJ also pays attention to the newly recruited staff and they shall be under the control and direction of staff with a lot of experience. Such practice has assisted new staff in having capacity building faster with trust.

Staff capacity building has been prioritized for 2020 to gain the substantial change in our staff's mindset and to gain the benefit for strengthening the service providing for customers, internal control, review of policy, principal and training to achieve plan set.

In summary, MFJ found that training and staff capacity building is the priority thing which the Institution shall do to make sure that our service provision being professional with high responsibility.

#### **4. Characteristic And Strength Of MFJ**

MFJ is the duly registered company with the Ministry of Commerce (MOC) on 30 April 2015 and obtained a license from NBC on 02 February 2016 and MFJ also got approval from NBC on 19 July 2018 to run financial leasing in addition to microfinance activities (loan).

Additionally, MFJ's head office is situated in the urban area and in the middle of Phnom Penh City in which the general public is easy to know and feel convenient in using our service.

All staff of MFJ clearly knows the products and vision of the Institution. It is noted that the Management Team and Staff of all levels are highly committed and have many years of work experience in the financial sector.

The result achieved so far it's because that MFJ has a strong shareholder in providing fund. Our shareholder is the company with experience in investment in Southeast Asia and clearly knows about the Cambodian market.

The Products and services of MFJ are flexible and fit for customers with a competitive interest rate. That's why our business gets successful in the long term and minimizes the subsequent risk. In doing so, MFJ could achieve remarkable growth.

#### **5. Risk Management System**

Before the decision is made to disburse the loan to the customer, the credit officer, credit manager, and Senior Management Team have properly assessed the collateral pursuant to the market price, assess the required documents and cash flow to prove the customers' actual repayment capacity. The customers shall have all of the sufficient required documents according to the policy of the Institution.



After having assessed by the credit officer and sale manager the customers also are required to do the additional study and finally decided by the CEO/director.

Before cash being disbursed to customers (cash disbursement) unless there are sufficient documents and have been certified by the competent authority or lawyer over the relevant agreements with the attachment of the original national ID or any other identity documents to satisfy the requirement.

The repayment back to the Institution is also a matter which shall be followed up and resolved with customers on a regular basis.

In addition to the Credit Department which has a duty in the credit risk management, the Institution also has other 04 Departments including Accounting Department, IT Department, Compliance Department, and Internal Audit Department.

**Accounting Department:** The Accounting Department has a role in controlling and implementation of income-expense of the Institution as a whole directly. This Department shall be responsible and ensure that all of the Institution's expense shall be compulsory with sufficient supporting documents pursuant to the internal policy. Additionally, the Accounting Department shall directly involve in the loan disbursement to customers which may be made by cash, cheque, or transfer by bank account. This Department shall verify and make sure that the Institution has sufficient cash as the customers need. There are many other jobs in connection with risk management which has been handled by the Accounting Department to maintain the financial situation of the company to be better.

**IT Department:** IT Department, in cooperation with the relevant staff, has a key duty and shall make sure that all of the customers' information in connection with the loan disbursed shall be properly recorded and kept. Those customers' information including loan amount, interest, penalty, and personal identity along with the information of the relevant person to make sure that they are complete and correct. IT Department shall keep all these information in a confidential way namely shall not be leaked or lose and shall be kept most safely at many different places.

IT Department also has a duty in supporting user during the daily operation, to enable the daily operation running smoothly.

With respect to risk management besides the points mentioned above, the IT Department also has a duty to upload the customers' information and report to CBC on a monthly basis, participate in the outside workshops and pieces of training to find the risk related matters which may arise and does support the Accounting Department in closing entry on a daily, monthly and yearly basis.

**Compliance Department:** The Compliance Department is the responsible one and needs to make sure that the whole operation of MFJ has fully complied with the laws and regulations introduced by the regulators and particularly by the National Bank of Cambodia (NBC). With respect to the risk management, this Department is responsible to set up the sample of contracts, admin letters, Memorandum of Understanding together with any other policies such as Credit Policy, and AML & CFT Policy, Compliance Policy, Whistle Blowing Policy, Operational Risk Management Policy, Compliance Checklist, Risk Assessment Report as required. In a daily operation, this Department has organized several admin letters for submission to the competent authorities especially the National Bank of Cambodia (NBC), and does prepare a number of Agreements and relevant letters for the disbursement loan to customers.

In terms of operation, this Department has also taken part in providing the consultation in connection with a daily business operation and provides training on the outstanding topics to promote the capacity of staff and to make sure that the operation runs smoothly.

In compliance with laws and regulations which have been introduced by the National Bank of Cambodia (NBC), the Compliance Department has handled in preparing the Cash Transaction Report (CTR), Suspicious Transaction Report (STR), and Null Transaction Report (NTR) in compliance with laws introduced by Cambodia Financial Intelligence Unit (FIU). This Department has prepared the report and then submit to FIU on a regular basis as required by laws. Additionally, the Compliance Department also has a duty to check and verify the required documents from customers to ensure the correctness to prevent any subsequent risks.

**Internal Audit Department:** The Internal Audit Department has an important role in improving good corporate governance including but not limited to improving effective internal control, business processes, and business risk management. Additionally, this Department assists the Institution achievement its objectives in an ethical, legal, and well-governed manner and also assists the Institution in fraud prevention, protection, and detection.

On the other hand, the Internal Audit Department provides value added recommendations to management and trusted consultation to the board of directors. In this regard, this Department provides professional and independent appraisals of the activities of the Institution, aimed at adding value by improving the efficiency and effectiveness of operations, the internal control system, and compliance with policies, laws, and regulations.

## **6. Challenge And Management Method**

For the past five-years operation, we can evaluate that number of our staff is still less yet and the scope of operation is not broad enough. Meanwhile, the company has not been extensively known by the general public.

The Prakas on the interest rate cap., introduced is the additional burden for the Institution which requires the Management Team and staff at all levels to work harder and more effectively.

Additionally, the Covid-19 pandemic, which is a global issue has made Cambodia's economic development slow down as a whole and it also affects business activities and daily lives of Cambodia's people and our customers due to job losses, salary cuts, and short-term restriction orders. MFJ has made the loan restructuring for its customers who face the real repayment capability, aimed at easing the burden of the customers facing declining revenues during the prolonged Covid-19 outbreak in the Kingdom of Cambodia in compliance with applicable regulations and laws issued by regulators especially by the National Bank of Cambodia (NBC).

In response to this challenge, the Institution has trained staff to have more capacity and skill to ensure the set plan is reached. Each credit officer shall manage and handle more loan outstanding than before and need to be at a lower risk.

In addition, MFJ has set up a plentiful loan product with flexibility in response to the customers' needs. The disbursement process has been converted to a simple one and in a faster way.

Although currently, MFJ has a number of challenges to settle, MFJ has still got successful and achieved a satisfactory result for the past five-years.

## **7. Internal Control System**

To obtain sustainable growth our Management Team has paid attention and strengthened a strict internal control system. MFJ has set up all of the required policies including Credit Policy, AML & CFT Policy, Internal Regulation, Whistle Blowing Policy, HR Policy, and working flow from the beginning to the end. All of these policies and procedures have complied with the laws and regulations which have been promulgated by competent authorities of the Kingdom of Cambodia. MFJ is a Financial Institution that is highly committed to abiding by the laws and regulations of the Kingdom of Cambodia.

MFJ has separated each department clearly to ensure the quality of work and minimize the conflict of interest in the Institution. The direct doer and the checker shall be the different person. Such practice has contributed to minimizing mistake and any error which may arise accidentally.

All of the responsible staff in each department has prepared the documents either of the customer and the company's documents properly in a safe place. Title or documents of the collateral such as land title, car registration card, and title of other vehicles has been kept in a safe place and are not allowed to take out from the office. Meanwhile, the Management Team has constantly reminded the relevant staff of the benefit from the internal control being strengthened and do check the performance on a daily basis.

In connection with the internal control system, MFJ has an external auditor and law firm to control and consult for the operation of the company. MFJ frequently asks the legal consultation from the lawyer and auditor with respect to the legal matter or other things comprising in-depth technical problems.

The implementation as above mentioned has enabled MFJ's operation to run smoothly and service provided to customers become faster. MFJ feels confident that the internal control system strengthened is the priority thing for the company to get fast growth with sustainability.

## **8. Transparency And Management Of Customer Information**

According to the policy of MFJ, all staff shall keep all of the customers' information confidential. As the real practice only the in-charge staff who may know the customers' information and is not allowed to share or consult with other staff of all information which is under his/her control.

Customers' information is properly collected by our credit officer with respect to personal identity such as name, date of birth, place of birth and current address, etc. All of the information could be served as the basis to disburse loans as long as there are the original documents attached and have been issued by the competent authorities. The relevant information needs to be verified by the Management Team to ensure correctness and to minimize the subsequent risk which may arise. Information in this context includes the information of co-borrower and guarantor.

The company has properly collected and maintained the customers' information and being kept in the secured place by information technology. Meanwhile, the customer also has a duty to report to MFJ in case of any information changed after the loan disbursement. Additionally, any staff who has spread or shared the customers' information to outside in violation of the internal policy shall be penalized based on internal regulation of the Institution.

In connection with the transparency, MFJ has fully complied from the beginning stage until the loan has been disbursed. Our sales staff has provided all information related to loan

products in the most transparent way. These information including interest rate, fee, loan amount, and early pay off condition, etc.

In addition to what the sale staff explained, the compliance officer has confirmed the outstanding points including loan amount, interest rate, penalty rate, collateral, and early pay off condition, repayment date and total amount to be paid on a monthly basis.

At the final stage, the compliance officer who is the representative of the Institution has provided a chance for customers to ask the question in case of any doubt with respect to the condition of the loan disbursement. The compliance officer has required customers to put a thumbprint on the Loan agreement together with the relevant documents and the repayment schedule and pass to customers the original one set.



## 9. Products And Services

In response to the customers' needs, our credit experts either local or international level have set up plentiful loan products including Housing Loan, Car Loan, Motorcycle Loan, Tri-Wheel Vehicle Loan, Personal Loan, Quick loan, Business loan and Electronic & Furniture Loan that customers can request in Khmer Riels (KHR) or US Dollar

## 10. Social Responsibility

MFJ is the Financial Institution that has a high social responsibility. In compliance with its vision the Institution always thinks of the customers' growth as the priority. The mindset of MFJ, the success of customers is the success of the Institution. In order to achieve this goal, MFJ has properly assessed customers and provided the loan to customers in a reasonable amount in compliance with the customers' needs only. The loan obtained from MFJ shall be used to create a job or doing business to earn income. The Institution will not disburse loans if that customer does not have sufficient repayment capacity or loan purpose is not reasonable. Meanwhile, MFJ disburses loan to any customers who have legitimate business only and particularly the Institution will not disburse the loan in case there is suspicion that the loan usage may have an impact on the environment and public order.

Also, with respect to the social responsibility MFJ always properly requested for license together with any permit from the competent authority before our business operations start. The Institution clearly knows its role and duty by execution of its tax obligation to the authorities. MFJ has a clear stance by not having business relations or the loan disbursement in case there is the suspicion that those persons are involved with illegal acts.

While MFJ is growing bigger from day to day the Institution needs to recruit several staff. This is to confirm that MFJ has contributed to the creation of jobs and reduce the poverty in Cambodia. The Institution has provided the freshly graduated student to get an internship in strengthening his/her capacity as well.

To reduce expense on the interest rate the customers may make the early repayment as long as they are affordable. Meanwhile, in the event, that customer is unable to execute the repayment schedule which is agreed, the company's representative has taken the site visit to have a direct discussion to find out the challenges and the root cause which has resulted in the loan late. The company's representative has tried to find the way and proposed the proposal to find the solution for customers. The remarkable thing is that our Management Team always supports and assists the customer in extending the repayment date as long as the customers faced a real shortage.

### III. Financial Report

#### 1. DIRECTORS' REPORT

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

##### Principal activities

The principal activity of the Company is to provided microfinance services to low-income individuals and small and medium enterprises. 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>1,489,231</u>	<u>6,023,940</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 loans

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 loans and the making of allowance for doubtful loans and satisfied themselves that there were no known bad loans and that adequate allowance had been made for doubtful loans.

At the date of this report, the Directors are not aware of any circumstances which would render it necessary to write off bad loans or the amount of the allowance for doubtful loans 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.

**MOTHERS FINANCIAL JAPAN PLC.**  
**(Incorporated in Cambodia)**

**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 for office since the date of the last report are:

Mr. Doi Kenichi

Mr. Ohmasa Munehiko

Mr. Yamaguchi Masahiko

(resigned on 10 March 2020)

**MOTHERS FINANCIAL JAPAN PLC.**  
**(Incorporated in Cambodia)**

**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 Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for any benefit which may be deemed to have arisen by virtue of those transactions as disclosed in Note 27 to the financial statements.

**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.

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 30 to the financial statements.



Registration No:  
00010605

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**MOTHERS FINANCIAL JAPAN PLC.  
(Incorporated in Cambodia)**

**DIRECTORS' REPORT (continued)**

**Statement by the Directors**

In the opinion of the Directors, the financial statements set out on pages 9 to 37 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

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**Doi Kenichi**  
Director

Phnom Penh, Cambodia  
Date: 29 June 2021

## **2. INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF MOTHERS FINANCIAL JAPAN PLC.**

### Report on the Audit of the Financial Statements

#### Qualified Opinion

We have audited the financial statements of Mothers Financial Japan 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 9 to 37.

The financial statements of the Company for the financial year ended 31 December 2019 were audited by another firm of Certified Public Accountants, whose report dated 27 October 2020 expressed an unqualified opinion on those statements.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, 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 Qualified Opinion

- (a) As disclosed in Note 7 and Note 8 to the financial statements, the Company recorded balances with National Bank of Cambodia and other banks of US\$175,457 and US\$682,882 respectively as at 31 December 2020. We were not able to obtain bank statements as well as written bank confirmations due to the unavailability of the bank signatory in relation to the balances with National Bank of Cambodia of US\$175,457, and balances with other banks of US\$157,735.

Consequently, we were not able to obtain sufficient appropriate audit evidence to satisfy ourselves on the existence and accuracy of these balances.

- (b) As disclosed in Note 10 to the financial statements, the Company recorded advances to employee of US\$69,300 as at 31 December 2020. As proper accounting documentation and supporting documents in respect of the advances were not made available, we were not able to obtain sufficient appropriate evidence to satisfy ourselves on the existence and accuracy of these advances.

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 qualified opinion.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF  
MOTHERS FINANCIAL JAPAN PLC.  
(Incorporated in Cambodia)  
(Registration No: 00010605) (continued)**

**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.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 4.1 in the financial statements, which indicates that the Company incurred a loss of US\$1,489,231 during the financial year ended 31 December 2020, and as of that date, the Company has a deficit in equity of US\$1,216,206. As stated in Note 4.1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

Our opinion on the financial statements of the Company does not cover the 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.

**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 Director either intends to liquidate the Company, or to cease operations, or has no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF  
MOTHERS FINANCIAL JAPAN PLC.  
(Incorporated in Cambodia)  
(Registration No: 00010605) (continued)**

**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.
- 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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF  
MOTHERS FINANCIAL JAPAN PLC.  
(Incorporated in Cambodia)  
(Registration No: 00010605) (continued)**

**Other Matters**

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

  
BDO (Cambodia) Limited  
Phnom Penh, Cambodia  
Date: 29 June 2021

**MOTHERS FINANCIAL JAPAN PLC.**  
**(Incorporated in Cambodia)**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	Note	2020		2019
		US\$	KHR'000	US\$
<b>ASSETS</b>				
Cash on hand	6	149,877	606,252	17,796
Balances with National Bank of Cambodia	7	175,457	709,724	175,000
Balances with other banks	8	682,882	2,762,258	312,926
Loans to customers	9	3,155,740	12,764,968	3,107,295
Other receivables	10	356,037	1,440,169	140,685
Property and equipment	11	39,928	161,509	79,531
Intangible asset	12	77,250	312,476	93,439
<b>TOTAL ASSETS</b>		<b>4,637,171</b>	<b>18,757,356</b>	<b>3,926,672</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Borrowing	13	1,482,405	5,996,328	5,588,574
Subordinated debt	14	4,100,037	16,584,650	-
Other payables	15	266,860	1,079,449	269,683
Current tax liabilities		4,075	16,483	423
<b>TOTAL LIABILITIES</b>		<b>5,853,377</b>	<b>23,676,910</b>	<b>5,858,680</b>
<b>EQUITY</b>				
Share capital	16	3,500,000	14,157,500	3,500,000
Capital contribution	17	2,205,033	8,919,358	-
Accumulated losses		(6,921,239)	(27,996,412)	(5,432,008)
<b>DEFICIT IN EQUITY</b>		<b>(1,216,206)</b>	<b>(4,919,554)</b>	<b>(1,932,008)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,637,171</b>	<b>18,757,356</b>	<b>3,926,672</b>

**MOTHERS FINANCIAL JAPAN 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	899,450	3,638,275	1,081,432
Interest expense	19	(392,671)	(1,588,354)	(81,917)
Net interest income		506,779	2,049,921	999,515
Allowance and impairment loss	20	(1,572,969)	(6,362,660)	(1,816,399)
Other operating income	21	154,201	623,743	15,120
Personnel expenses	22	(205,612)	(831,701)	(288,839)
Depreciation and amortisation expenses	23	(57,443)	(232,357)	(77,341)
General and administrative expenses	24	(305,154)	(1,234,348)	(579,332)
Loss before tax		(1,480,198)	(5,987,402)	(1,747,276)
Tax expense	25	(9,033)	(36,538)	(5,910)
Loss for the financial year		(1,489,231)	(6,023,940)	(1,753,186)
Other comprehensive income, net of tax		-	-	-
Total comprehensive loss for the financial year		(1,489,231)	(6,023,940)	(1,753,186)

**MOTHERS FINANCIAL JAPAN PLC.**  
**(Incorporated in Cambodia)**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	Share capital US\$	Capital contribution US\$	Accumulated losses US\$	Total US\$
Balance as at 1 January 2019		3,500,000	-	(3,678,822)	(178,822)
Loss for the financial year, representing total comprehensive loss		-	-	(1,753,186)	(1,753,186)
Balance as at 31 December 2019/ 1 January 2020		3,500,000	-	(5,432,008)	(1,932,008)
Loss for the financial year, representing total comprehensive loss		-	-	(1,489,231)	(1,489,231)
Transaction with owner					
Capital contribution	17	-	2,205,033	-	2,205,033
Total transaction with owner		-	2,205,033	-	2,205,033
Balance as at 31 December 2020		3,500,000	2,205,033	(6,921,239)	(1,216,206)
<i>(KHR '000 equivalent)</i>		<i>14,157,500</i>	<i>8,919,358</i>	<i>(27,996,412)</i>	<i>(4,919,554)</i>



**MOTHERS FINANCIAL JAPAN PLC.**  
**(Incorporated in Cambodia)**

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

	Note	2020		2019
		US\$	KHR'000	US\$
<b>Cash flows from operating activities</b>				
Loss before tax		(1,480,198)	(5,987,402)	(1,747,276)
Adjustments for:				
Allowance and impairment loss	20	1,572,969	6,362,660	1,816,399
Amortisation of intangible	12	16,189	65,485	16,189
Depreciation of property and equipment	11	41,254	166,872	61,152
Interest expense	19	392,671	1,588,354	81,917
Interest income	18	(1,943)	(7,860)	(5,446)
Property and equipment written-off		-	-	1,250
Operating profit before working capital changes		540,942	2,188,109	224,185
Changes in working capital				
Loans to customers		(1,621,414)	(6,558,619)	(1,017,538)
Other receivables		(215,352)	(871,098)	(89,778)
Other payables		(12,966)	(52,447)	104,021
Cash used in operations		(1,308,790)	(5,294,055)	(779,110)
Income tax paid		(5,381)	(21,766)	(6,141)
Interest paid		(83,627)	(338,271)	(80,219)
Net cash used in operating activities		(1,397,798)	(5,654,092)	(865,470)
<b>Cash flows from investing activities</b>				
Purchase of property and equipment	11	(1,651)	(6,678)	-
Interest received		1,943	7,859	5,446
Net cash from investing activities		292	1,181	5,446
<b>Cash flows from financing activity</b>				
Proceeds from borrowing, representing net cash from financing activity		1,900,000	7,685,500	300,000
Net increase/(decrease) in cash and cash equivalents		502,494	2,032,589	(560,025)
Cash and cash equivalents at beginning of financial year		330,722	1,337,770	890,747
Cash and cash equivalents at end of financial year		833,216	3,370,359	330,722

**MOTHERS FINANCIAL JAPAN PLC.**  
**(Incorporated in Cambodia)**

**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\$
Cash on hand	6	149,877	606,252	17,796
Balances with National Bank of Cambodia (excluding statutory deposit)	7	457	1,849	-
Balances with other banks	8	682,882	2,762,258	312,926
		<u>833,216</u>	<u>3,370,359</u>	<u>330,722</u>

#### **IV. ADDRESS AND CONTACT INFORMATION**

**MOTHER FINANCIAL JAPAN Plc. HEAD OFFICE**

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