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ORO FINANCECORP PLC.



ANNUAL
REPORT | 2020

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Vision and Mission

Business Objective

Vision

A national network of microfinance institution that reaches Cambodian people in need of funds for purchasing their own home.

Mission

To support Cambodian people to own quality houses and standard living through sustainable, innovative, and client responsive financial solutions. Achieve the highest standard of excellence in governance, commitment toward all stakeholders, clients, and communities served.

“To become a Cambodia’s leading microfinance institution with flexibility and competitive product toward customers.”

Our Values



HIGH PERFORMANCE

ORO's consistent hard work to yield high performance.

COMMITMENT

ORO is strongly committed to all stakeholders.

PEOPLE ASSETS

ORO shall continuously develop its human resource.

INTERGRITY

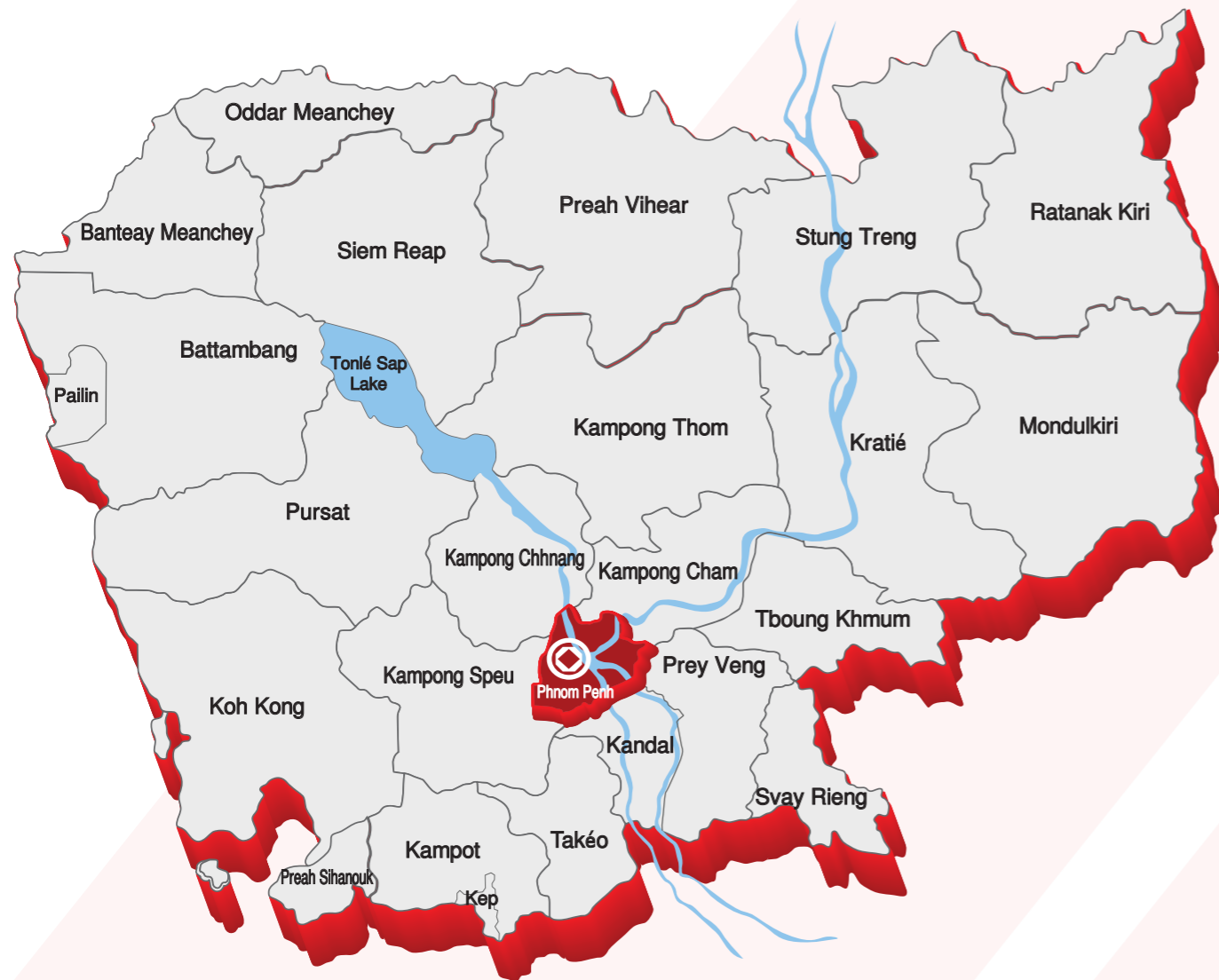
ORO's foundation is its integrity.

TEAMWORK

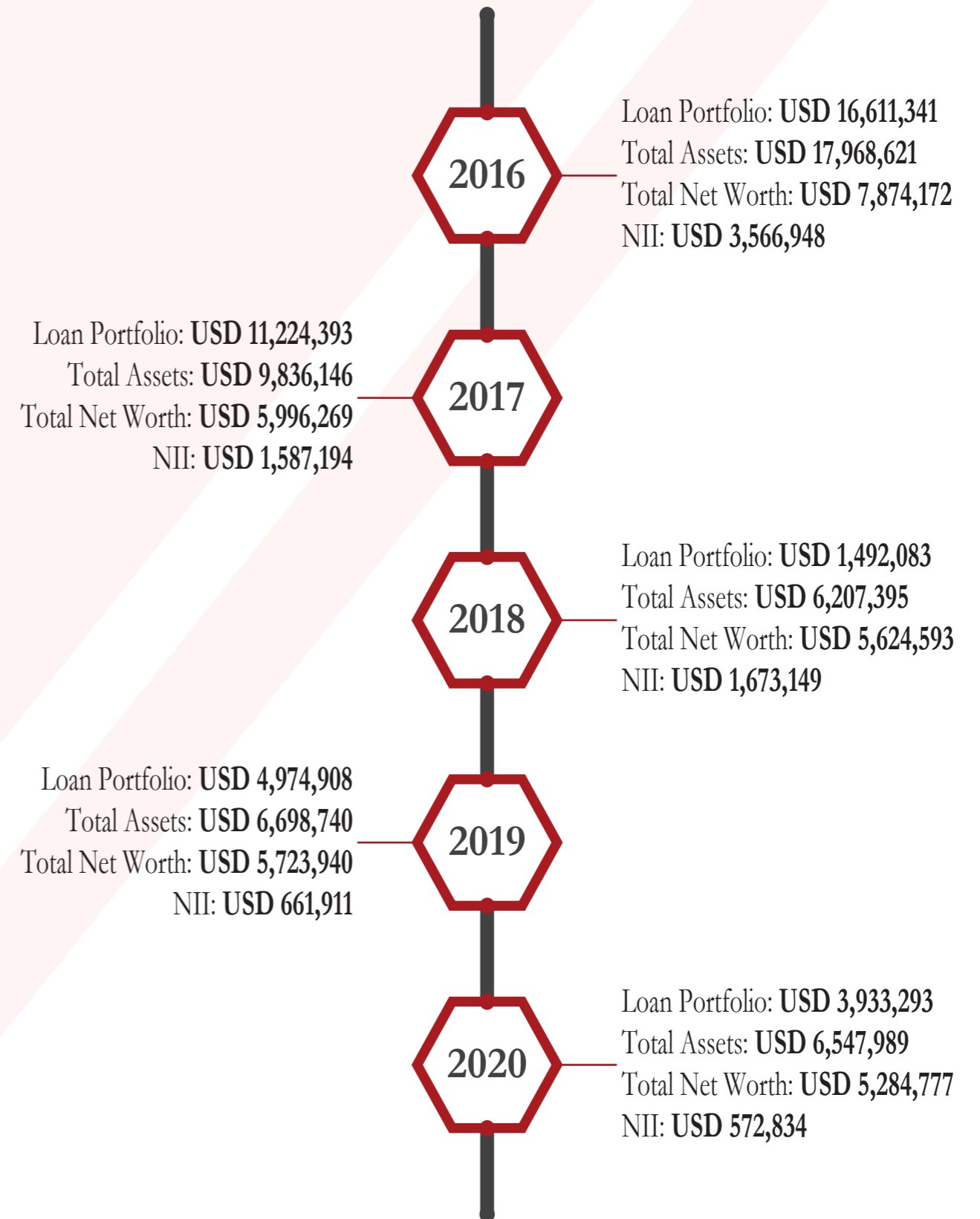
ORO team is dynamic and versatile moving forward together for a bright future of ORO.

About Us

ORO Financecorp Plc., was established as the Public Limited Company “PLC” on 4th of April 2013 and received the license as the microfinance institution from National Bank of Cambodia “NBC” on the 3rd of December 2013. “ORO” from Greek’s word means “Gold” as the representative of the sustainable, longevity of life for investment as well as for business. To become one of the leading microfinance services providers in Cambodia is the goal of ORO.



Financial Highlights



Our Products

Housing Loan

Nowadays, ORO focuses on providing housing loans only to clients who wish to purchase or purchased a house ranging from Borey Arata Garden Residences, Borey Maha Sen Sok, and Bodaiju Residences co-owned building projects, which ORO has partnered with. In case the customer does not have enough fund to buy a house from the foregoing projects, he/she can also apply for a housing loan from ORO.



Message from CEO



Mr. EGUCHI TAKASHI

Chief Executive Officer (CEO)

The year 2020 was the most challenging year as the global pandemic of COVID-19 had a significant impact on the global economy, including Cambodia. Cambodia's economy recorded a negative growth rate in 2020, which it was our first experience to see since we started our business in 2013. As a result, the amount of bad and doubtful loans for our loan amounts to the customers turned to be around twice of the one as of the end of 2019 while our loan amount to the customers was shrunk to around 80% of the one as of the end of 2019 and it caused our profit (before income tax) turned to be negative.

In 2020, the National Bank of Cambodia ("NBC") had taken appropriate measures since the global pandemic had been impacting on the Cambodia's economy, especially the income and life of people in Cambodia, in order to alleviate the financial difficulty of people. Despite the situation we were facing, as a micro finance institution licensed by NBC, we had been trying to support the customers and contribute the Cambodia's economy following the demanding regulatory requirements. We see it as part of our profession to adjust to this new regulatory environment. To align with NBC's recommenda-

tions and the foregoing customer's difficulties, we have prepared necessary policy and procedure to study their level of difficulty and to what extent we are able to help them in the context of delaying the payment, restructuring the loan, and penalty waiving on the payments overdue. As a result, as of the end of 2020, 7.41% of the total loan amount to the customers were restructured by the requests from the customers.

On the other hand, we are taking the next step toward integrated reporting, meaning we focus more attention in this Annual Report on the company's future, both financial and non-financial data. In 2020, we regularly met with our stakeholders including clients, investors, employees, the environment, and society at large to discuss both our strategic priorities and the issues that are materially important to them. The move to integrated reporting is in line with our drive to deliver the long-term value to all our stakeholders.

Currently, we have focused on a housing loan and mortgage lending as stated in OUR PRODUCT section. We believe that the possession of property (house) makes individuals wealthy from financial aspects and enable Cambodia to be stable and matured nation from financial and political aspects. We are grateful to support a mortgage finance for people to afford houses.

With their commitment and determination, we are confident that we are equipped to take on the opportunities and challenges that will come our way in the years ahead.

In this ending, I am so grateful and thankful to the NBC for their continuous guidance and supports. I also would like to express my appreciation to the customers for choosing our service and their continuous supports. In addition, I would like to express my gratitude to the employees for their loyalty and continuous efforts to improve the company's performance. With the current situation, especially the uncertainty of the global pandemic, we and our customers are still facing the various, tough circumstances. We are sure that we will overcome this difficulty together with guidance and supports from the NBC, our valuable customers and loyal staff.

Sincerely your,

Mr. EGUCHI TAKASHI

Chief Executive Officer

Management Team

Mr. EGUCHI TAKASHI

Chief Executive Officer



Mr. Eguchi is responsible for the whole business activities in Cambodia, including business development, deal execution and investment management in Malaysia, Myanmar, Thailand and Lao PDR under Creed Group, which is a major shareholder of ORO Financecorp Plc.

Prior to joining Creed Group in 2004, Mr. Eguchi served as General Manager at Japan Finance Corporation, a governmental financial institution, where he was responsible for lending to Small and Medium Enterprises, and as a research specialist at the Ministry of Economy, Trade and Industry where he was responsible for policy making for SMEs.

Mr. Eguchi earned a B.A. in Economics from the University of Tokyo (Japan).

Ms. LEANG SREYPOV

Senior Manager
Business Administration



Ms. Sreyrov has been appointed as a Senior Business Administration Manager at ORO Financecorp Plc. since January 2020. She manages the whole operation of the institution. Before joining ORO, she had more than ten years of experience in the managerial position in various fields such as Corporate Strategic, Finance, Accounting, Legal & Compliance, Human Resource and Administration.

She has participated in many trainings & studied some other courses, and received the certificate of Secretary and Administration, the letter of appreciation from Foreign Language School of Royal University of Phnom Penh II.

She is a holder of two bachelor degrees from National University of Management majoring in Management and Accounting and Finance. Also, she has completed ACCA course, and she has passed all skill exams and professional exams on International Corporate Reporting and Business Analysis and obtained a diploma of Cambodian Tax in 2012 from CamEd Business School.

Mr. SIEM SENGLY

Admin and HR Manager



Mr. Sengly has been appointed as an HR & Admin Manager at ORO Financecorp Plc. since August 2019. Before joining ORO Financecorp Plc., Mr. Sengly had more than ten years' experience in Human Resources, Administration and Social Compliance field with the private sector and NGO such as Grand Twin International (Cambodia) Plc., Reproductive Health Association of Cambodia, Cambodian Children Fund and Creed Group Cambodia. He started his career at Grand Twin International (Cambodia) Plc. where he was hired as a Compliance Officer in the Social Responsibility Department. His last employment before joining with ORO, was an HR & Administrative Manager at Torreya Asset Holdings Co., Ltd.

Mr. Sengly earned his Bachelor Degree in Human Resources Management from Maharishi Vedic University, Cambodia.

Mr. PON CHEASOVANN

Credit Manager



Mr. Sovann has been appointed as Credit Manager with ORO Financecorp Plc. since August 2019. Before joining ORO Financecorp Plc., Mr. Sovann had been engaged as a Legal Officer and Finance Coordinator from 2011 to 2013 at Morokot International Group Plc., and Morokot Microfinance. Moreover, he was a Legal Manager in Creed Group, and a Senior Legal Executive at Edotco (Cambodia) Co., Ltd. where he has used his knowledge related to his background.

Mr. Sovann earned his Bachelor Degree in Law from Royal University of Law and Economics, Bachelor Degree in Economic and Rural Development from Cambodian Mekong University and a Master Degree of Land & Property Law from Royal University of Law and Economics.

At the end of 2020, the Bar of Association of Cambodia has admitted Mr. Sovann as a lawyer.

Ms. LIM VICHHEKA

Internal Audit Manager



Mrs. Lim Vichheka graduated in 2012 in the major of Finance and Banking from Pannasastra University of Cambodia. Currently, she is also an ACCA student at CamEd Business School. Her appointment as an Internal Audit Manager at ORO Financecorp Plc. was approved by National Bank of Cambodia on 21st December 2020. Prior to her appointment as an Internal Audit Manager, she was recruited as Accounting Manager at Torreya Asset Holdings Co., Ltd. since 01st June 2019.

Mrs. Vichheka started her first job as an Internal Auditor in 2011 at Geolink Group Co., Ltd., and then moved to Grant Thornton (Cambodia) Limited 2016 as an Auditing Supervisor. Based on the good performance, she was promoted to Assistant Audit Manager. She had an accumulated working experience in this international audit firm over three years.

Mr. LEANG SYNANN

Account/Finance Manager



In August 2019, Mr. Synann has been appointed as Accounting and Finance Manager at ORO Financecorp Plc., and he is responsible for the whole process of accounting and finance works. Prior to his employment at ORO Financecorp Plc., he was a Senior Accountant in Creed Group.

He obtained a Bachelor Degree in Finance & Banking from the University of Economics and Finance. He also completed Taxation Law on Cambodian Tax at National Tax School in 2019, and expected to graduate his Master Degree in Finance and Banking by the end of 2021 from University of Economics and Finance. He has also participated in many trainings related to CIFRS for SMEs and conversion with Quantum & Spectrum Solution Co., Ltd and 3S Consulting Co., Ltd., which is beneficial to his career.

Mr. SENG ROYAL

Acting Compliance Manager



Mr. Seng Royal is from Kampong Thom province. He finished his Bachelor Degree in Law at National University of Management in 2014 and his Bachelor Degree of Arts in TESOL (Teaching English to Speakers of Other Languages) at Pannasastra University of Cambodia in 2016. He is now pursuing his Master of Arts in TESOL at the Institute of Foreign Languages, Royal University of Phnom Penh.

Mr. Seng started as an intern at the Court of Appeal in 2012 and then as a Paralegal/Legal Assistant at Law Office of CSL & Associates. He joined Torreya Asset Holdings Co., Ltd. under the position of Deputy Legal Manager in March 2018. Since 2020, he has been acting as a Compliance Manager at ORO FINANCECORP PLC. He has been appointed by the Board of Directors to seek an approval from the National Bank of Cambodia for the role of Compliance Officer.

Ms. VIN DAVY

Chief Operation



Graduated the bachelor degree in 2016, Ms. Davy majored in Business Administration in Accounting at Norton University of Cambodia. Currently, she is pursuing a Master Degree in Finance and Banking at University of Economics and Finance. Ms. Davy has been working as a Chief Operation at ORO Financecorp Plc. since February 2020.

Ms. Davy started her first job as an Accounting Clerk at STEEL BUILDINGS CO., LTD. Following this employment, she had worked as a Senior Accountant Receivable at Zelkova Asset Holdings Co., Ltd. for five years.

Report of the Management

The Board of Directors of Oro Financecorp Plc. submits its report together with the audited financial statements of the Company as at 31 December 2020 and for the year then ended.

THE COMPANY

Oro Financecorp Plc. (“the Company”) is a licensed micro-finance institution (“MFI”) incorporated and registered in the Kingdom of Cambodia. The Company was incorporated as a public limited company in Cambodia on 4 April 2013 under registration no. Co. 0653 KH/2013 issued by the Ministry of Commerce. The Company obtained its license as a micro-finance institution from the National Bank of Cambodia (“NBC”) on 3 December 2013. On 1 July 2016, the Company obtained its re-registration no. 00015677 from the Ministry of Commerce.

The head office of the Company is located at No. 147, Monireth Boulevard, Sangkat Boeung Salang, Khan Tuol Kork, Phnom Penh, Kingdom of Cambodia.

The Company had 11 employees as at 31 December 2020 (31 December 2019: 6 employees).

PRINCIPAL ACTIVITIES

The principal activities of the Company are to undertake micro-finance activities such as mortgage lending and to provide various other services related to the Company’s businesses to local customers as authorized by the NBC through its head office in Phnom Penh, the Kingdom of Cambodia.

FINANCIAL RESULTS

The financial results of the Company for the year ended 31 December 2020 and 31 December 2019 were as follows:

	31 December 2020		31 December 2019	
	USD	KHR’000 (Note 3.2)	USD	KHR’000 (Note 3.2)
(Loss)/profit before income tax	(468,065)	(1,908,301)	185,971	753,554
Income tax credit/(expense)	28,902	117,833	(86,624)	(351,000)
Net (loss)/profit for the year	(439,163)	(1,790,468)	99,347	402,554

DIVIDENDS

No dividend was declared or paid and the Board of Directors do not recommend any dividend to be paid for the year.

SHARE CAPITAL

There were no changes in the registered and issued share capital of the Company during the year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserve or provision during the current financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL LOANS

Before the financial statements of the Company were prepared, the Board of Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad loans and the making of allowance for doubtful loans, and satisfied themselves that all known bad loans had been written off and adequate allowance had been made for bad and doubtful loans.

At the date of this report, the Board of Directors is not aware of any circumstances, which would render the amount written off for bad loans, or the amount of allowance for doubtful loans in the financial statements of the Company, inadequate to any material extent.

CURRENT ASSETS

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

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

VALUATION METHODS

At the date of this report, the Board of Directors is not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Company as misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secure the liabilities of any other person; and,

(ii) any contingent liability in respect of the Company that has been arisen since the end of the financial year other than in the ordinary course of its business operations.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The result of the operations of the Company during the financial year were not, in the opinion of the Board of 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 Board of Directors, to affect substantially the results of the operations of the Company for the current year in which this report is made.

EVENTS SINCE THE REPORTING DATE

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

THE BOARD OF DIRECTORS

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

Name	Position	Appointed on
Ms. Seng Vantha	Chairwoman	8 April 2015
Mr. Tomohiro Yakushi	Director	8 April 2015
Mr. Toshihiko Muneyoshi	Director	8 April 2015
Mr. Eguchi Takashi	Chief Executive Officer	4 March 2020

DIRECTORS' INTERESTS

None of the Board of Directors held or dealt directly or indirectly in the shares of the Company during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements existed to which the Company is a party with the objective of enabling Board of 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, no director of the Company has received or became entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the director as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with a firm of which the director is a member, or with a Company in which the director has substantial financial interest other than as disclosed in the financial statements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- i. adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii. comply with the CIFRSs for SMEs and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the 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;

iii. oversee the Company's financial reporting process and maintain adequate accounting records and an effective system of internal controls;

iv. assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basic of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so; and,

v. control and direct effectively the Company in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

APPROVAL OF THE FINANCIAL STATEMENTS

The Board of Directors hereby approves the accompanying financial statements together with the notes thereto, which present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended, in accordance with CIFRS for SMEs and the guidelines of the National Bank of Cambodia related to the preparation and presentation of the financial statements.

On behalf of the Board of Directors




Ms. Seng Vantha
Chairwoman

Phnom Penh, Kingdom of Cambodia

25 May 2021

Independent Auditor's Report

Grant Thornton (Cambodia) Limited

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To the Shareholder of Oro Financecorp Plc.

OPINION

We have audited the financial statements of Oro Financecorp Plc. ("the Company"), which comprise the statement of financial position as at 31 December 2020, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRSs for SMEs") and guidelines issued by the National bank of Cambodia ("NBC").

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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with ethical requirements that are relevant to our audit of financial statements in the Kingdom of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included in the Report of the Board of Directors but does not include the financial statements and our auditor's report thereon, which we have obtained prior to the date of this auditor's report, and the annual report which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information prepared by Management and we do not and will not express any form of audit assurance or conclusion thereon.

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors and respond to those matters in accordance with the requirements of CISA 720 (revised).

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, the Board of Directors is 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 Board of Directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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 Board of Directors.

- Conclude on the appropriateness of the Board of Directors’ 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 auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s 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, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of 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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



GRANT THORNTON (CAMBODIA) LIMITED
Certified Public Accountants
Registered Auditors


Ronald C. Almera
Partner – Audit and assurance
Phnom Penh, Kingdom of Cambodia
25 May 2021

Financial Report



Statement of Financial Position

	Note	31 December 2020		31 December 2019	
		USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Assets					
Cash on hand	5	7,157	28,950	15,194	61,916
Deposits and placements with the					
National Bank of Cambodia	6	357,517	1,446,156	356,543	1,452,913
Deposits and placements with banks	7	1,621,220	6,557,835	493,548	2,011,208
Loans to customers - net	8	3,304,056	13,364,907	4,669,780	19,029,353
Other assets	9	1,188,177	4,806,176	1,109,622	4,521,710
Property and equipment	10	1,351	5,465	2,166	8,826
Intangible assets	11	12,618	51,040	26,256	106,993
Deferred tax assets	12(a)	55,893	226,087	25,631	104,446
Total assets		6,547,989	26,486,616	6,698,740	27,297,365
Liabilities and equity					
Liabilities					
Other liabilities	13	1,262,445	5,106,590	900,406	3,669,154
Current income tax liabilities	12(b)	767	3,105	74,394	303,156
Total liabilities		1,263,212	5,109,695	974,800	3,972,310
Equity					
Share capital	14	7,000,000	28,126,000	7,000,000	28,126,000
Accumulated losses		(1,715,223)	(6,914,299)	(1,276,060)	(5,123,831)
Currency translation difference		-	165,220	-	322,886
Total equity		5,284,777	21,376,921	5,723,940	23,325,055
Total liabilities and equity		6,547,989	26,486,616	6,698,740	27,297,365

Statement of Comprehensive Income

	Note	For the year ended		For the year ended	
		31 December 2020		31 December 2019	
		USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Interest income	15	570,226	2,324,811	653,498	2,647,974
Fees, commissions and other income	16	2,608	10,633	8,413	34,089
Operating income		572,834	2,335,444	661,911	2,682,063
Net movement in provision for bad and doubtful loans		(324,109)	(1,321,392)	(80,393)	(325,752)
Net interest income after allowance for bad and doubtful loans		248,725	1,014,052	581,518	2,356,311
Personnel expenses	17	(81,644)	(332,863)	(31,138)	(126,171)
Depreciation and amortisation	18	(14,453)	(58,925)	(28,456)	(115,304)
General and administrative expenses	19	(620,693)	(2,530,565)	(335,953)	(1,361,282)
(Loss)/profit before income tax		(468,065)	(1,908,301)	185,971	753,554
Income tax credit/(expense)	12(c)	28,902	117,833	(86,624)	(351,000)
Net (loss)/profit for the year		(439,163)	(1,790,468)	99,347	402,554
Other comprehensive income					
Currency translation difference		-	(157,666)	-	2,285
Total comprehensive (loss)/income for the year		(439,163)	(1,948,134)	99,347	404,839

Statement of Changes in Equity

	Share capital		Accumulated loss		Currency Translation Difference		Total equity	
	USD	KHR'000	USD	KHR'000	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)		(Note 3.2)		(Note 3.2)
Balance at 1 Jan 2020	7,000,000	28,126,000	(1,276,060)	(5,123,831)	5,723,940	322,886	23,325,055	
Net loss for the year	-	-	(439,163)	(1,790,468)	(439,163)	-	(1,790,468)	
Currency translation difference	-	-	-	-	-	(157,666)	(157,666)	
Balance at 31 Dec 2020	7,000,000	28,126,000	(1,715,223)	(6,914,299)	5,284,777	165,220	21,376,921	
Balance at 1 Jan 2019	7,000,000	28,126,000	(1,375,407)	(5,526,385)	5,624,593	320,601	22,920,216	
Net profit for the year	-	-	99,347	402,554	99,347	-	402,554	
Currency translation difference	-	-	-	-	-	2,285	2,285	
Balance at 31 Dec 2019	7,000,000	28,126,000	(1,276,060)	(5,123,831)	5,723,940	322,886	23,325,055	

Statement of Cash Flows

	Note	For the year ended 31 December 2020		For the year ended 31 December 2019	
		USD	KHR'000	USD	KHR'000
			(Note 3.2)		(Note 3.2)
Cash flows from operating activities					
(Loss)/profit before income tax		(468,065)	(1,908,301)	185,971	753,554
Adjustments for:					
Depreciation and amortization	18	14,453	58,925	28,456	115,304
Loans and receivables written off		405,816	1,654,512	1,039	4,210
Allowance for bad and doubtful loans		324,109	1,321,392	80,393	325,752
Operating profit before working capital		276,313	1,126,528	295,859	1,198,820
Changes in working capital					
Changes in:					
Loans to customers		635,798	2,592,148	(3,483,864)	(14,116,616)
Other assets		(73,398)	(299,244)	(612,128)	(2,480,343)
Other liabilities		362,039	1,476,033	319,778	1,295,740
Net cash generated from/(used in) operations		1,200,752	4,895,465	(3,480,355)	(14,102,399)
Income tax paid	12(b)	(80,143)	(326,743)	(7,609)	(30,832)
Net cash from/(used in) operating activities		1,120,609	4,568,722	(3,487,964)	(14,133,231)
Net increase in cash and cash equivalents		1,120,609	4,568,722	(3,487,964)	(14,133,231)
Cash and cash equivalents, beginning of year		515,285	2,099,787	4,003,249	16,085,055
Currency translation difference		-	(51,318)	-	147,963
Cash and cash equivalents, end of year	20	1,635,894	6,617,191	515,285	2,099,787

Notes to the Financial Statements

1 THE COMPANY

Oro Financecorp Plc. (“the Company”) is a licensed micro-finance institution (“MFI”) incorporated and registered in the Kingdom of Cambodia.

The Company was incorporated as a public limited company in Cambodia on 4 April 2013 under registration no. Co. 0653 KH/2013 issued by the Ministry of Commerce. The Company obtained its license as a micro-finance institution from the National Bank of Cambodia (“NBC”) on 3 December 2013. On 1 July 2016, the Company obtained its re-registration no. 00015677 from the Ministry of Commerce.

The head office of the Company is located at No. 147, Monireth Boulevard, Sangkat Boeung Salang, Khan Tuol Kork, Phnom Penh, Kingdom of Cambodia.

The Company had 11 employees as at 31 December 2020 (31 December 2019: 6 employees).

2 STATEMENT OF COMPLIANCE WITH CIFRS FOR SMES

The financial statements have been prepared in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities (“CIFRS for SMEs”) and guidelines issued by the NBC, which have been adopted by the Ministry of Economy and Finance, under Prakas No. 068BK MEF dated 8 January 2009, and the National Accounting Council, under Announcement No. 097/09 MEF dated 28 August 2009. The financial statements are presented in US dollars (“USD”), which is also the functional currency of the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 OVERALL CONSIDERATIONS AND FIRST-TIME ADOPTION OF CIFRS FOR SMES

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These accounting policies have been used throughout all periods presented in these financial statements, unless otherwise stated.

3.2 FUNCTIONAL AND PRESENTATION CURRENCY

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Company transacts its business and maintains its accounting records primarily in USD, Management has determined the USD to be the Company’s currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Company.

Transactions in foreign currencies, other than USD, are translated to USD at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than USD at the reporting date are translated into USD at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the statement of comprehensive income.

The translations of USD amounts into KHR as presented in the financial statements are included solely to comply with the Law on Accounting and Auditing (April 2016) and have been made using the prescribed official exchange rate based on the following applicable exchange rate per USD1 as announced by the National Bank of Cambodia (2019: General Department of Taxation):

	2020	2019
Average rate*	4,077	4,052
Closing rate	4,045	4,075

* Calculated by using daily exchange rates issued by the National Bank of Cambodia during the year

Such translation amounts are unaudited and should not be construed as representations that the USD amounts represent, or have been or could be, converted into KHR at that or any other rate.

3.3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investment with original maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. They also include bank overdrafts that are repayable on demand and form an integral part of the Company’s cash management.

3.4 DEPOSITS AND PLACEMENTS WITH THE NBC

Statutory deposit is stated at cost and represent mandatory reserve deposits and cash maintained with the NBC in compliance with the Law on Banking and Financial Institutions and are not available to finance the Company’s day-to-day operations. Hence, it is not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

3.5 DEPOSITS AND PLACEMENTS WITH BANKS

Deposits and placements with banks are stated at cost.

3.6 LOANS TO CUSTOMERS

Loans to customers are recognized initially at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Loans are written off to the statement of comprehensive income when the loans are provided in full and remain unpaid after maturity date or when the certainty of being uncollectable is proven. Loans written off are taken out of the outstanding loan portfolio and deducted from the allowance for bad and doubtful loans.

Recoveries of loans previously written off are recorded as other operating income in the statement of comprehensive income. Reversal of previous allowance is presented in allowance expense in the statement of comprehensive income.

REGULATORY PROVISION

Credit classification and provisioning for financial institutions in accordance with Prakas No. 7-017-344, dated 1 December 2017 as issued by the NBC provides guidance on credit classification and regulatory provisioning for financial institutions in Cambodia, as summarised below:

Classification	Number of days past due	Provision
Long-term loans (more than one year)		
Standard	0 – 29 days	1%
Special mention	30 – 89 days	3%
Substandard	90 – 179 days	20%
Doubtful	180 – 359 days	50%
Loss	Over 359 days	100%
Short-term loans (less than one year)		
Normal	0 – 14 days	1%
Special mention	15 – 30 days	3%
Substandard	31 – 60 days	20%
Doubtful	61 – 90 days	50%
Loss	Over 90 days	100%

Article 73 of Prakas on Credit Risk Grading and Impairment Provisioning requires the banks to compare the provision calculated in accordance with CIFRSs and Prakas No 7-017-344 and, accordingly.

1. In case the regulatory provision calculated in accordance with the said Prakas is lower than the calculation in accordance with CIFRS for SMEs, the bank shall record the provision calculated in accordance with CIFRS for SMEs.

2. In case the regulatory provision calculated in accordance with the said Prakas is higher than the calculation in accordance with CIFRS for SMEs, the bank shall record the provision calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings or accumulated loss account into regulatory reserve in the equity section of the statement of financial position.

3.7 OTHER ASSETS

Other assets are carried at cost. An estimate is made for doubtful receivables based on a review of outstanding amounts at the reporting date.

3.8 LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Upon initial recognition, the leased assets are measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases. Operating leases are recognized as an expense on a straight-line basis over the lease term.

3.9 PROPERTY AND EQUIPMENT

Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of an asset. Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

Depreciation of property and equipment is charged to the income statement on a straight-line basis over the useful lives of the individual assets as follows:

	Estimated useful life
Leasehold improvements	Shorter of lease period or 5 years
Furniture, fixture and equipment	4 years
IT equipment and computers	2 years
Motor vehicles	4 years

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

Subsequent expenditure relating to an item of property and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognized in the income statement on the date of retirement or disposal.

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

3.10 INTANGIBLE ASSETS

Intangible assets consist of computer software and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Acquired computer software is capitalised on the basis of cost incurred to acquire the specific software and bring it into use. Intangible assets are amortised on a straight-line basis at the rate of 20% per annum. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

3.11 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit (“CGU”) to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset’s (or CGU’s) fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.12 EMPLOYEE BENEFIT OBLIGATION

SENIORITY INDEMNITY PAYMENT

Prakas No. 443, issued on 21 September 2018 by the Minister of Labour and Vocational Training (“MoLVT”),

requires the Company to pay past seniority indemnity to employees with undetermined duration contract. All employees who have been working before 1 January 2019 and continue to work are entitled to a payment of fifteen days of their average wages of each year of service, totalling but not exceeding six months, and shall be paid every year starting 2019 as follows:

- 7.5 days shall be made in June; and,
- 7.5 days shall be made in December of each year.

The seniority backpay indemnity is recognised in full during the year 2018 and future seniority indemnity (amounting to 15 days per annum) to employees are recognised during the employees’ periods of service.

On 22 March 2019, MoLVT issued Directive no. 042/19 on the Back Pay of Seniority Payment before 2019 for the Enterprise and Institution aside from the Textile, Garment and Footwear sectors, postponing the payment of back pay seniority indemnity until December 2021 and changing the payment of their average wages of each year of service from 15 days to 6 days as follows:

- 3 days shall be made in June; and,
- 3 days shall be made in December of each year.

For employees with determined duration contract, they are entitled to the severance pay at least 5% of their wages paid during the length of the contract.

Employees are not entitled to the remaining past seniority payment upon resignation.

SHORT-TERM EMPLOYEE BENEFITS

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses, severance pay 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 recognized 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 recognized when the absence occur. Employee that follow proper resignation policy are entitled to get the unused annual leave days. They can get compensation if they did not use all of the annual leaves.

Bonuses are recognized 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.

3.13 EQUITY, ACCUMULATED LOSSES AND RESERVES

Share capital represents the nominal (par) value of shares that have been issued.

Accumulated losses include all current and prior period retained profits and losses.

3.14 RELATED PARTY TRANSACTIONS

A related party is a person or entity that is related to the Company. A related party transaction is a transfer of resources, services or obligations between the Company and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Company if that person:

- i. Has control or joint control over the Company;
- ii. Has significant influence over the Company; or
- iii. Is a member of the key management personnel of the ultimate holding company of the Company, or

the Company

(b) An entity is related to the Company if any of the following conditions applies:

- i. The entity and the Company are members of the same group.
- ii. One entity is an associate or joint venture of the other entity.
- iii. Both entities are joint ventures of the same third party.
- iv. On entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefits of employees of either the Company or an entity related to the Company.
- vi. The entity is controlled or jointly-controlled by a person identified in (a) above.
- vii. A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the ultimate holding company or the entity.
- viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

3.15 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

Loans to customers, cash and cash equivalents and other assets

These financial assets are recognised initially at the transaction price. Subsequently they are measured at amortised cost using the effective interest method, less provisions for impairment.

Where there is objective evidence that the carrying amounts of receivables are not recoverable, an impairment loss is recognised in profit or loss.

FINANCIAL LIABILITIES

The Company's financial liabilities include other liabilities. Financial liabilities are recognised initially at transaction price. After initial recognition, they are measured at amortised cost using the effective interest method. Other liabilities is on normal credit terms and do not bear interest.

3.16 OTHER OPERATING EXPENSES

Other operating expenses are recognised in the income statement in the year in which they incurred.

3.17 PROVISION

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are re-measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

3.18 INCOME RECOGNITION

Interest income on performing loans, and deposits and placements with banks are recognized on a daily accrual basis. Interest on non-performing loans is recorded as interest in suspense rather than income until it is realised on a cash basis.

Fee and commission received that are integral to the effective interest rate of a financial assets are recognized using the effective interest method. For example, loan commitment fees (together with related direct costs) are deferred and recognized as an adjustment to the effective interest rate on a loan upon withdrawal.

Non yield-related application and activation lending fees received are recognized as income no later than when the loan is disbursed or the commitment to lend expires.

Fees charged for providing ongoing services that represent the recoupment of the costs of providing service (for example, maintaining and administering existing facilities) are recognized as income when service is provided.

3.19 INCOME TAX

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to or claims from fiscal authorities relating to current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements.

Deferred income tax is calculated on temporary differences between the carrying amounts of assets and liabilities and their tax bases that are expected to increase or reduce taxable profit in the future and on unused tax losses and unused tax credits.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization provided that they are enacted or substantively enacted at the reporting date, taking into consideration all possible outcomes of a review by the tax authorities. The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted as necessary to reflect the current assessment of future taxable profit.

4 SIGNIFICANT MANAGEMENT JUDGMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

The Company makes estimates, assumptions and judgments concerning future transactions which may not equal actual results. The accounting estimates, assumptions and judgments which may cause significant impact on the current recognition and measurement of assets, liabilities, income and expenses are summarised below:

4.1 SIGNIFICANT ACCOUNTING ESTIMATES

The significant accounting estimates in applying the accounting policies of the Company that have the most significant effect on the financial statements is follows:

USEFUL LIFE OF DEPRECIABLE ASSETS

Management reviews its estimate of the useful life of depreciable assets at each reporting date, based on the expected utility of the assets.

INCOME TAX EXPENSE

The Company will recognise liabilities for expected tax expenses based on an estimate of whether the taxes are due through Management's current interpretation of the various tax legislations which are subject to periodic changes. The final determination of tax expenses will be made following examination by the General Department of Taxation.

When the final tax outcome of these matters is different from the amount that were initially recognised, such differences will impact the tax provision in the financial year in which such determination is made.

4.2 SIGNIFICANT MANAGEMENT JUDGMENT

The following is significant Management judgment in applying the accounting policies of the Company that have the most significant effect on the financial statements.

RECOGNITION OF DEFERRED TAX ASSETS

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

5 CASH ON HAND

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
Khmer riel	-	-	1,507	6,141
US Dollars	7,157	28,950	13,687	55,775
	7,157	28,950	15,194	61,916

6 DEPOSITS AND PLACEMENTS WITH THE NATIONAL BANK OF CAMBODIA

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
Current accounts	7,517	30,406	6,543	26,663
Capital guarantee deposit	350,000	1,415,750	350,000	1,426,250
	357,517	1,446,156	356,543	1,452,913

CAPITAL GUARANTEE DEPOSIT

Under Prakas No. B7-00-06 on the Licensing of MFIs dated 11 January 2000, the Company is required to maintain a capital guarantee deposit equivalent to 5% of its registered capital with the NBC. This deposit is not available for use in the Company's day-to-day operations but is refundable when the Company voluntarily ceases to operate its business in Cambodia.

The statutory deposit on capital guarantee deposit placed with the NBC earns interest at rates ranging from 0.32% - 0.36% per annum (2019: 0.32% - 0.36% per annum).

7 DEPOSITS AND PLACEMENTS WITH BANKS

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
Saving accounts	1,621,220	6,557,835	493,548	2,011,208
	1,621,220	6,557,835	493,548	2,011,208

Deposits and placements with banks are analysed as follows:

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
(a) By currency				
US Dollars	1,621,220	6,557,835	493,548	2,011,208
	1,621,220	6,557,835	493,548	2,011,208

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
(b) By maturity				
Within 1 month	1,621,220	6,557,835	493,548	2,011,208
	1,621,220	6,557,835	493,548	2,011,208

The Company earns interest for its deposits and placements with banks at the rate of 1% per annum (2019: 1% per annum).

8 LOANS TO CUSTOMERS - NET

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
Long term loans to customers	3,855,686	15,596,250	4,974,908	20,272,750
Accrued interest receivable	77,607	313,921	-	-
Loans to customers - gross	3,933,293	15,910,171	4,974,908	20,272,750
Allowance for bad and doubtful loans	(629,237)	(2,545,264)	(305,128)	(1,243,397)
Loans to customers - net	3,304,056	13,364,907	4,669,780	19,029,353

The movements in allowance for bad and doubtful loans to customers are as follows:

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
Balance at the beginning of the year	305,128	1,243,397	224,735	902,984
Allowance for the year	324,109	1,321,392	80,393	327,601
Currency translation differences	-	(19,525)	-	12,812
Balance at the end of the year	629,237	2,545,264	305,128	1,243,397

The gross loans to customers are analysed as follows:

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
(a) By currency				
US Dollars	3,878,358	15,687,958	4,974,908	20,272,750
Khmer riel	54,935	222,213	-	-
	3,933,293	15,910,171	4,974,908	20,272,750

(b) By industry sector

Services	-	-	146,373	596,470
Trade and commerce	-	-	1,033,341	4,210,865
Household/family	3,933,293	15,910,171	3,679,336	14,993,294
Others	-	-	115,858	472,121
	3,933,293	15,910,171	4,974,908	20,272,750

(c) By residency status

Residents	3,056,280	12,362,654	4,044,648	16,481,940
Non-residents	877,013	3,547,517	930,260	3,790,810
	3,933,293	15,910,171	4,974,908	20,272,750

(d) By relationship

Non-related parties	3,933,293	15,910,171	4,974,908	20,272,750
	3,933,293	15,910,171	4,974,908	20,272,750

(e) By performance

Standard loans: secured	3,128,230	12,653,691	4,900,542	19,969,709
Special mentions: secured	327,797	1,325,939	74,366	303,041
Sub-standard loans: secured	101,199	409,350	-	-
Doubtful loans: secured	376,067	1,521,191	-	-
	3,933,293	15,910,171	4,974,908	20,272,750

The secured loans are those loans secured by land or house title receipt (which are not official land title deeds), as the Company generally issues loans to low-income entrepreneurs in the provinces.

(f) By interest rates

The annual interest rates that were in effect as at the year-end are as follows:

	2020	2019
Services	-	5% - 13%
Trade and commerce	-	12%
Household/family	5-14.4%	12-14.4%
Others	-	14%

9 OTHER ASSETS

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
Amount due from holding company	1,128,886	4,566,344	600,866	2,448,529
Amount due from related parties	37,845	153,083	492,413	2,006,583
Deposits	15,090	61,039	15,440	62,918
Prepaid expenses	5,230	21,155	-	-
Accounts receivables	903	3,653	903	3,680
Accrued interest receivables	223	902	-	-
	1,188,177	4,806,176	1,109,622	4,521,710

10 PROPERTY AND EQUIPMENT

	Leasehold improvements		Furniture, fixture & IT equipment & computers		Motor vehicles		Total	
	USD	USD	USD	USD	USD	USD	USD	KHR'000
Cost								(Note 3.2)
At 1 January 2020	196,667	62,743	43,835	43,835	28,000	331,245	1,349,823	
Translation difference	-	-	-	-	-	-	(9,937)	
Balance at 31 December 2020	196,667	62,743	43,835	43,835	28,000	331,245	1,339,886	
Accumulated Depreciation								
At 1 January 2020	194,525	62,719	43,835	43,835	28,000	329,079	1,340,997	
Additions	791	24	-	-	-	815	3,323	
Translation difference	-	-	-	-	-	-	(9,899)	
Balance at 31 December 2020	195,316	62,743	43,835	43,835	28,000	329,894	1,334,421	
Net carrying amount	1,351	-	-	-	-	1,351	5,465	
Cost								
At 1 January 2019	196,667	62,743	43,835	43,835	28,000	331,245	1,330,942	
Translation difference	-	-	-	-	-	-	18,881	
Balance at 31 December 2019	196,667	62,743	43,835	43,835	28,000	331,245	1,349,823	
Accumulated Depreciation								
At 1 January 2019	185,951	59,849	42,501	42,501	26,842	315,143	1,266,244	
Additions	8,574	2,870	1,334	1,334	1,158	13,936	56,469	
Translation difference	-	-	-	-	-	-	18,284	
Balance at 31 December 2019	194,525	62,719	43,835	43,835	28,000	329,079	1,340,997	
Net carrying amount	2,142	24	-	-	-	2,166	8,826	

11 INTANGIBLE ASSETS

	2020		2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Cost				
At 1 January	84,289	343,478	84,289	338,673
Currency translation difference	-	(2,529)	-	4,805
Balance at 31 December	84,289	340,949	84,289	343,478
Less: Accumulated amortisation				
At 1 January	58,033	236,485	43,513	174,835
Amortisation	13,638	55,602	14,520	58,835
Currency translation difference	-	(2,178)	-	2,815
Balance at 31 December	71,671	289,909	58,033	236,485
Carrying amount	12,618	51,040	26,256	106,993

12 INCOME TAX**(a) Deferred tax asset, net**

Deferred tax assets comprise:

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Allowance for losses on loans to customers *	37,079	149,985	4,066	16,569
Accelerated tax depreciation	18,814	76,102	21,565	87,877
Deferred tax asset, net	55,893	226,087	25,631	104,446

The movements of net deferred tax assets are as follows:

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
At 1 January	25,631	104,446	32,426	130,288
Credit/(charge) to the income statement	30,262	123,378	(6,795)	(27,690)
Currency translation differences	-	(1,737)	-	1,848
At 31 December	55,893	226,087	25,631	104,446

*This represents deferred tax assets arising from the general allowances and specific provisions for substandard loans which are not deductible under the Prakas No. 1535 MEF issued by the Ministry of Economy and Finance (MEF) on 23 December 2016.

(b) Current income tax liabilities

	2020		2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
At 1 January	74,394	303,156	2,174	8,735
Current income tax expense	-	-	79,829	325,303
Prepayment of profit tax	5,156	20,854	-	-
Under provision in prior year	1,360	5,545	-	-
Income tax paid	(80,143)	(326,743)	(7,609)	(31,007)
Currency translation differences	-	293	-	125
Balance at 31 December	767	3,105	74,394	303,156

(c) Income tax expense

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Current income tax	-	-	79,829	323,467
Under provision in prior year	1,360	5,545	-	-
Deferred tax	(30,262)	(123,378)	6,795	27,533
Income tax expense	(28,902)	(117,833)	86,624	351,000

In accordance with the Law on Taxation, the Company has an obligation to pay corporate income tax in the form of either tax on income at the rate of 20% of taxable income or minimum tax at 1% of turnover, whichever is higher.

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

For the year ended
31 December 2020

USD KHR'000
(Note 3.2)

For the year ended
31 December 2019

USD KHR'000
(Note 3.2)

Accounting (loss)/profit before tax	(468,065)	(1,908,301)	185,971	753,554
Adjustment for:				
Add: Expenses not deductible for income tax purpose	137,609	561,030	247,149	1,001,446
Taxable income	(330,456)	(1,347,271)	433,120	1,755,000
Income tax rate (at 20%)	-	-	86,624	351,000
Minimum tax (at 1% of turnover)	-	-	6,619	26,821
Estimated income tax expense	-	-	86,624	351,000
Movement in deferred tax	(30,262)	(123,378)	-	-
Under provision from prior year	1,360	5,545	-	-
Estimated income tax expense	(28,902)	(117,833)	86,624	351,000

The taxation system in Cambodia is relatively new and is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often times, 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.

13 OTHER LIABILITIES

31 December 2020
USD KHR'000
(Note 3.2)

31 December 2019
USD KHR'000
(Note 3.2)

Amount due to related parties	1,147,545	4,641,820	758,072	3,089,143
Amount due to holding company	70,638	285,731	-	-
Customer deposits	22,295	90,183	2,601	10,599
Accrued expenses	14,272	57,730	137,483	560,243
Accounts payable	7,159	28,958	1,750	7,131
Other tax payables	536	2,168	500	2,038
	1,262,445	5,106,590	900,406	3,669,154

14 SHARE CAPITAL

31 December 2020

USD KHR'000
(Note 3.2)

31 December 2019

USD KHR'000
(Note 3.2)

2,800,000 shares with par value of USD2.50 per share	7,000,000	28,126,000	7,000,000	28,126,000
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15 INTEREST INCOME

For the year ended
31 December 2020

USD KHR'000
(Note 3.2)

For the year ended
31 December 2019

USD KHR'000
(Note 3.2)

Interest from:				
Loans to customers	563,660	2,298,041	644,461	2,611,356
Placements with other banks	5,572	22,717	6,835	27,695
Capital guarantee deposit	994	4,053	2,202	8,923
	570,226	2,324,811	653,498	2,647,974

16 FEES, COMMISSION AND OTHER INCOME

For the year ended
31 December 2020

USD KHR'000
(Note 3.2)

For the year ended
31 December 2019

USD KHR'000
(Note 3.2)

Fees and commissions	2,255	9,194	8,293	33,603
Others	353	1,439	120	486
	2,608	10,633	8,413	34,089

17 PERSONNEL EXPENSES

For the year ended
31 December 2020

USD KHR'000
(Note 3.2)

For the year ended
31 December 2019

USD KHR'000
(Note 3.2)

Salaries and wages	74,544	303,916	28,219	114,343
Other employee benefits	7,100	28,947	2,919	11,828
	81,644	332,863	31,138	126,171

18 DEPRECIATION AND AMORTISATION

	For the year ended		For the year ended	
	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
Amortization	13,638	55,602	14,520	58,835
Depreciation	815	3,323	13,936	56,469
	14,453	58,925	28,456	115,304

19 GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended		For the year ended	
	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
Loans and receivables written off	405,816	1,654,512	1,039	4,210
Operating and guarantee fee	92,734	378,077	62,058	251,459
Office and other rental expenses	38,244	155,921	42,633	172,749
Professional fees	22,594	92,116	31,236	126,568
Repairs and maintenance	12,744	51,957	10,180	41,249
Utilities	9,809	39,991	9,005	36,488
Security	7,986	32,559	7,414	30,042
Taxes and licenses	6,333	25,820	7,684	31,136
Communication	5,733	23,373	4,656	18,866
Travel	4,314	17,588	845	3,424
Consultant fees	1,700	6,931	35,700	144,656
Stationeries and printing	675	2,752	4,760	19,288
Other taxes	143	583	689	2,792
Bank charge	120	489	242	981
Other expenses	11,748	47,896	14,981	60,703
Compensation fee	-	-	102,831	416,671
	620,693	2,530,565	335,953	1,361,282

20 CASH AND CASH EQUIVALENTS

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
			(Note 3.2)	
Cash	7,157	28,950	15,194	61,916
Balances with the NBC: Current accounts	7,517	30,406	6,543	26,663
Deposits & placements with banks: Saving accounts	1,621,220	6,557,835	493,548	2,011,208
	1,635,894	6,617,191	515,285	2,099,787

21 RELATED PARTY TRANSACTIONS AND BALANCES

(a) The Company had the following transactions with related parties during the year:

		For the year ended		For the year ended	
		31 December 2020		31 December 2019	
		USD	KHR'000	USD	KHR'000
			(Note 3.2)		(Note 3.2)
Related parties	Relationship				
Maha Family Properties Co., Ltd	Holding company				
Guarantee fee		70,638	287,993	30,963	125,462
Zelkova Asset Holdings Co., Ltd	Under common control				
Guarantee fee		22,096	90,084	131	531

(b) The following balances are outstanding with related parties:

		For the year ended		For the year ended	
		31 December 2020		31 December 2019	
		USD	KHR'000	USD	KHR'000
			(Note 3.2)		(Note 3.2)
Related parties	Relationship				
Maha Family Properties Co., Ltd.	Holding company				
Amount due from		1,128,886	4,566,344	600,866	2,448,529
Amount due to		70,638	285,731	-	-
Zelkova Asset Holdings Co., Ltd.	Under common control				
Amount due from		-	-	42,848	174,606
Amount due to		1,147,545	4,641,820	756,214	3,081,572
ORO Financecorp Pawnshop Co., Ltd.	Company in which a director has interest				
Amount due from		37,845	153,083	449,565	1,831,977
Amount due to		-	-	1,858	7,571

The amounts due from/to related parties are unsecured, interest free and repayable on demand.

22 COMMITMENTS

Operating lease commitments

	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
Within one year	33,333	135,900	16,667	67,535
From one to five years	13,889	56,625	-	-
	47,222	192,525	16,667	67,535

23 FINANCIAL RISK MANAGEMENT

The guidelines and policies adopted by the Company to manage the risks that arise in the conduct of their business activities are as follows:

(a) Credit Risk

Credit risk is the potential loss of revenue and principal losses in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending and investing activities.

The primary exposure to credits risk arises through its loans to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the statement of financial position. The lending activities are guided by the Company's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loans portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy, credit approval processes and procedures implemented to mitigate credit risks and to ensure compliance with the NBC Guidelines.

The Company holds collateral against loans to customers in the form of mortgage interests over the (landed) property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated unless there is any significant event affecting the area and/or the status of property.

(i) Credit risk measurement

The Company assess the probability of default of individual counterparties by focusing on borrower's forecast profit and cash flow. The credit committee is responsible for approving loans to customers.

(ii) Risk limit control and mitigation policies

The Company manages limits and controls the concentration of credit risk whenever it is identified.

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to customers, which is common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types secured for loans to customers are:

- Mortgages over residential properties (land, building and other properties), and
- Charges over business assets such as land and buildings.

(iii) Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provisioning accordance with Prakas B7-017-344 dated 1 December 2017 and 16 February 2018 on Credit Risk Grading and Provision on Impairment. (refer to note 3.6 for details).

Exposure to credit risk	31 December 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
Loans to customers				
Neither past due nor impaired	3,128,230	12,653,691	4,900,542	19,969,709
Past due but not impaired	327,797	1,325,939	74,366	303,041
Individually impaired	477,266	1,930,541	-	-
	3,933,293	15,910,171	4,974,908	20,272,750

It is not practical to obtain fair value of collateral due to costs of obtaining such information outweigh the potential benefits. Under the NBC regulations, the value of collateral is not taken into account when determining the allowance for bad and doubtful loans.

Neither past due nor impaired

Loans to customers not past due less than 30 days are not considered impaired, unless other information is available to indicate the contrary.

Impaired loans to customers

In compliance with NBC's guidelines, an allowance for doubtful loans to customers is made for loans to customers with payment overdue equal to or more than 90 days for long term loans (equal to or more than 60 days for short term loans).

Past due but not impaired loans to customers

Past due but not impaired loans are those which are classified as special mention in compliance with the NBC's guidelines with a specific allowance of 3% of the loan outstanding. For those loans the contractual interest or principal payments are past due more than 30 days but less than 90 days for long term loans (more than 30 days but less than 60 days for short term loans), unless other information is available to indicate otherwise.

(b) Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

The operational risk management entail the establishment of clear organizational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its micro-finance business.

(c) Market risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk. Market risk arising from the trading activities is controlled by marking to the market the trading positions against their predetermined market risk limits.

(i) Foreign currency exchange risk**Concentration of currency risk**

The Company's income is principally earned in USD. The Company's expenditure is principally paid in USD. The Company does not therefore have significant exposure to foreign currency risk.

The aggregate amounts of financial assets and liabilities, by currency denomination, are as follows:

	USD equivalent of			Total
	USD	KHR balances	USD	KHR'000
As at 31 December 2020				
Financial assets				
Cash on hand	7,157	-	7,157	28,950
Deposits and replacements with the NBC	7,517	-	7,517	30,406
Deposits and placements with banks	1,621,220	-	1,621,220	6,557,835
Loans to customers	3,878,358	54,935	3,933,293	15,910,171
Other assets*	1,167,857	-	1,167,857	4,723,982
	6,682,109	54,935	6,737,044	27,251,344
Financial liabilities				
Other liabilities**	1,239,614	-	1,239,614	5,014,239
Total financial liabilities	1,239,614	-	1,239,614	5,014,239
Net financial asset position	5,442,495	54,935	5,497,430	22,237,105

As at 31 December 2019

Financial assets				
Cash on hand	13,687	1,507	15,194	61,916
Deposits and replacements with the NBC	6,543	-	6,543	26,663
Deposits and placements with banks	493,548	-	493,548	2,011,208
Loans to customers	4,974,908	-	4,974,908	20,272,750
Other assets *	1,094,182	-	1,094,182	4,458,792
	6,582,868	1,507	6,584,375	26,831,329
Financial liabilities				
Other liabilities**	897,305	-	897,305	3,656,518
Total financial liabilities	897,305	-	897,305	3,656,518
Net financial asset position	5,685,563	1,507	5,687,070	23,174,811

*Amounts excluding deposits and prepayments

**Amounts excluding customer deposits and tax payables

(ii) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the level of interest rate and shifts in the composition of the assets and liabilities. The exposure to interest rate risk relate primarily to its loans and bank deposits.

Since the majority of financial assets are short-term and the interest rates are subject to change with the market rates, the Company does not use derivative financial instruments to hedge such risk.

The table summarises the Company's exposures to interest rate risk. The table indicates the period in which the financial instruments re-price or mature, whichever is earlier.

	Maturity period					Total
	Up to 1 months	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
	USD	USD	USD	USD	USD	USD
At 31 December 2020						
Financial assets						
Cash on hand	-	-	-	-	-	7,157
Deposits with the NBC	-	-	-	-	-	7,517
Deposits and placements with banks	-	-	-	-	-	1,621,220
Loans to customers	-	-	-	782,884	3,150,409	-
Other assets*	1,167,857	-	-	-	-	-
Total financial assets	1,167,857	-	-	782,884	3,150,409	1,635,894
Financial liabilities						
Other liabilities**	-	-	-	-	-	1,239,614
Total financial liabilities	-	-	-	-	-	1,239,614
Total interest sensitivity	1,167,857	-	-	782,884	3,150,409	396,280
Equivalent in KHR'000 (Note 3.2)	4,723,982	-	-	3,166,766	12,743,404	1,602,953

*Amounts excluding deposits and prepayments

**Amounts excluding customer deposits and tax payables

	Maturity period					Total
	Up to 1 months	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
	USD	USD	USD	USD	USD	USD
At 31 December 2019						
Financial assets						
Cash on hand	-	-	-	-	-	15,194
Deposit with the NBC	-	-	-	-	-	6,543
Deposits and placements with banks	-	-	-	-	-	493,548
Loans to customers	8,477	4,801	82,883	1,626,805	3,251,942	-
Other assets*	1,094,182	-	-	-	-	-
Total financial assets	1,102,659	4,801	82,883	1,626,805	3,251,942	515,285
Financial liabilities						
Other liabilities**	-	-	-	-	-	897,305
Total financial liabilities	-	-	-	-	-	897,305
Interest sensitivity gap	1,102,659	4,801	82,883	1,626,805	3,251,942	(382,020)
Equivalent in KHR'000 (Note 3.2)	4,493,335	19,564	337,748	6,629,231	13,251,665	(1,556,732)

Fair value sensitivity analysis for fixed-rate instruments

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

Cash flow sensitivity analysis for variable-rate instruments

The Company does not have variable-rate instruments. Therefore, a cash flow sensitivity analysis is not prepared.

(d) Liquidity risk

Liquidity risk is the risk of the Company being unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfill commitments to lenders.

(i) Liquidity risk management process

The Company's Management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the reviewing of the daily cash position and projections for the next day, week and month, as these are key periods for liquidity management. Management monitors the movement of the main depositors and lenders and projections of their withdrawals.

In addition, the Company monitors closely on the cash flow sensitive assets and cash flow sensitive liabilities from the assets and liabilities management tools in order to foresee on liquidity in the future and avoid from liquidity risk.

(ii) Non-derivative cash flows

	31 December 2020		31 December 2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
No fixed term				
Other liabilities	1,239,614	5,014,239	897,305	3,656,518

(e) Capital management**(i) Regulatory capital**

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the NBC;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

The NBC requires all the financial institutions to (i) fulfill the minimum capital requirements, and (ii) comply with solvency, liquidity and other requirements.

(ii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

24 Fair values of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Company's financial assets and liabilities fair values, therefore, were not presented.

25 Post-reporting date event

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation of these financial statements.

26 Authorisation of the financial statements

The financial statements as at 31 December 2020 and for the year then ended were approved for issue by the Board of Directors on 25 May 2021.