



2019 | ANNUAL REPORT



ជេស៊ី ហ្វាយនែន ប.ក
JC FINANCE PLC.

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Integration of internal-reforms establishes resilient social infrastructure



Message

First of all, I would like to express my deepest condolences to those who have lost loved ones to the COVID-19 illness. I would also like to express our sincere gratitude to the medical staff, healthcare workers and others for fighting through this critical situation. I am convinced that we should all unite in order to overcome this difficult time. Let us work together for a safe and secure future!

Looking back to the fiscal year ending December 2019, according to International Monetary Fund (IMF), world economic growth rate in 2019 was 3.0%, a significant slowdown from 3.6% in 2018. The main reason for this deceleration was the uncertainty of the future due to the US-China trade friction that lead to put a brake on the trade/investment activities. In the middle of 2019, there was a polarization between a globally sluggish manufacturing industry and a strong non-manufacturing industry. It was said that the risk of further deceleration was diminishing as domestic demand in major countries remained firm against the backdrop of favorable employment conditions in each country. Looking at the financial environment, the central banks of each country shifted to a monetary easing stance in 2019 and supported the economy. With regard to finance, it was expected that the economy would generally expand.

However, from the end of 2019 the COVID-19 crisis has spread internationally, becoming a truly global pandemic. As a result, it has affected the real economy and our livelihoods in many ways.

The situation of the Cambodian economy has also slowed down rapidly from the course of its expansion like other countries. According to the outlook, the economic growth rate in 2020 is predicted to be 1.6%. However, if the spread of Covid-19 virus is successfully suppressed, the growth rate in 2021 is expected to recover to 6.1%.

Under current environment, our main market, the agricultural sector, is also affected. The supply chain of trading of crops has been suspended and restrained farmers' economic activities. Thus, the collection of loans to our customers, mainly farmers, is affected considerably. However, the damage caused by Covid-19 virus in Cambodia is less than other countries, and in view of the current situation of economic activity starting to recover, I believe that the agriculture sector will be normalized relatively early compare to the other sectors.

JCF views this rapid environmental change as an opportunity for growth and we will implement internal reforms. For example, we will strongly promote "Digital Transformation (DX)". We will rationalize the analog process and internal systems with "IoT" and "AI" as keywords, improve productivity, and make a shift to develop high-quality service products. We will build a strong corporate culture of "Now or Never" to realize our goal to be a "One and Unique Financial Institution". I would appreciate your continued guidance and support.

Growing together with Cambodia

JC FINANCE PLC. (JCF) is the “One and Only” financial service provider focusing on Agricultural sector.

Mission

JCF will enhance the life and wealth of Cambodian society and sharing the benefit together through our financial platform. We will contribute to the growth of Cambodia economy and also to other Asian countries from Cambodia in the future.

Vision

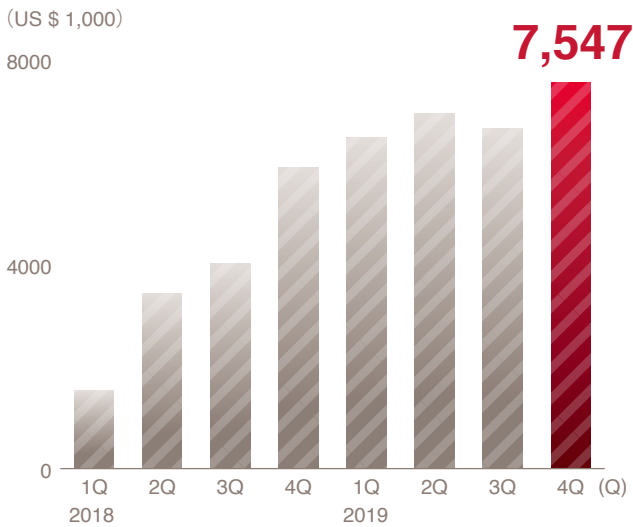
JCF was founded by investment from Japan. “JC” means “Japan and Cambodia”, which shows our basic business concept that we will bring Japanese skills, technologies and experiences to the various business sectors in Cambodia starting from Agricultural sector. Our vision is to be a glocal company, acting globally and locally.

Corporate Value

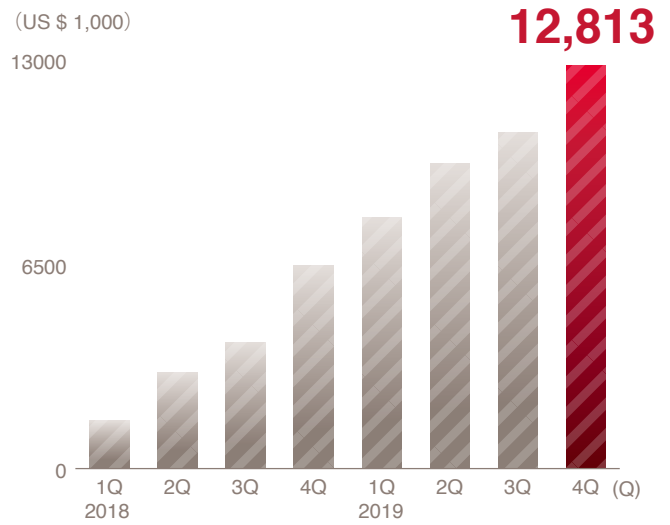
JCF will provide loans in “Human Centric” ways. Loans that care for people, loans that are kind to people and loans that are customized for people. We will always be a financial institution that is there for people who needs us.



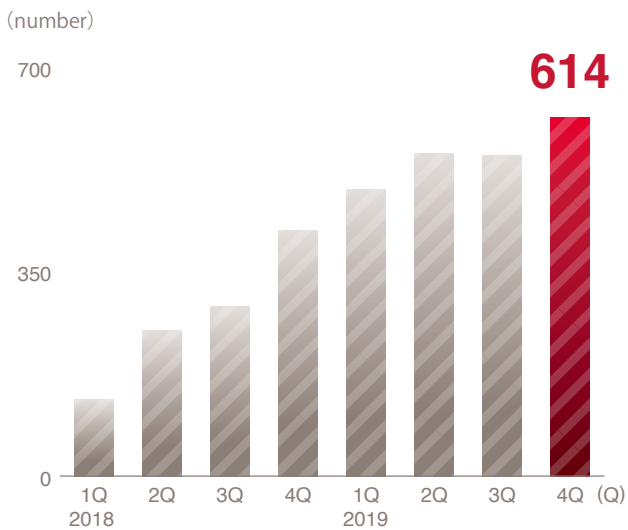
Loan Outstanding Balance



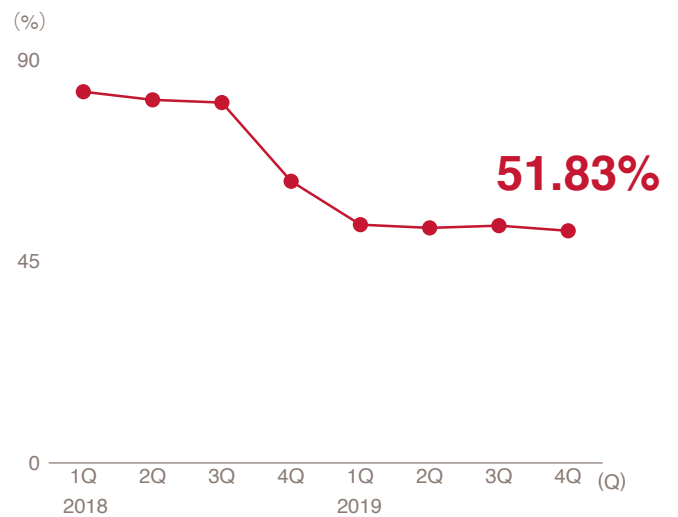
New Loan Disbursement



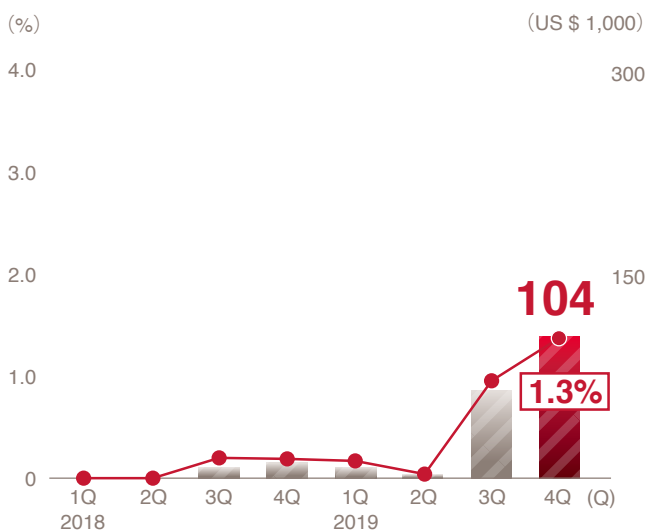
Total Customer Number



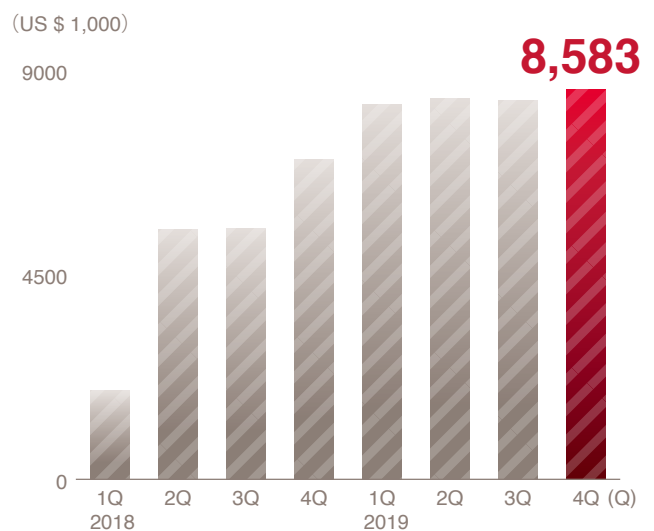
Capital Adequacy Ratio



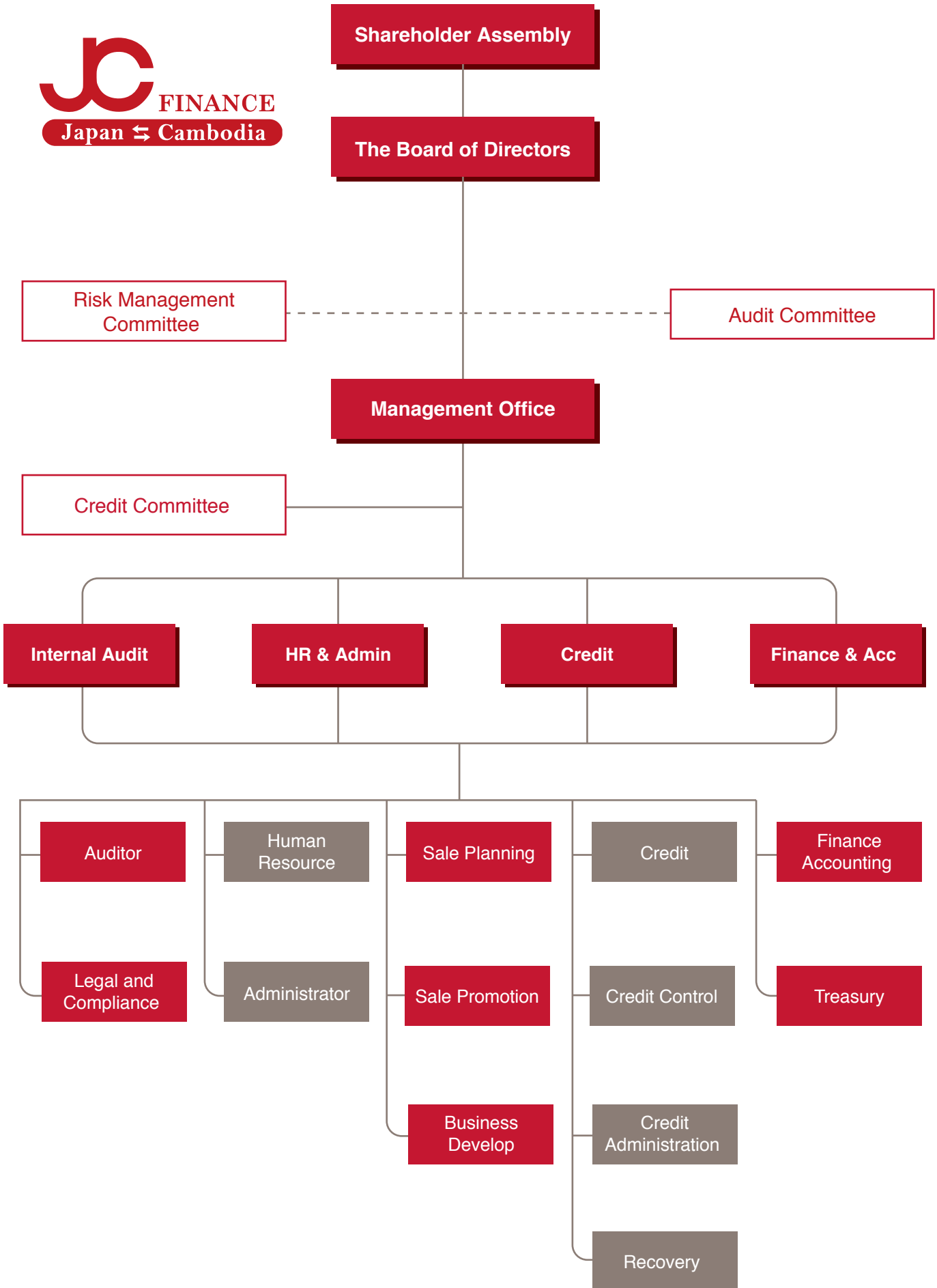
Doubtful & Loss Loan



Total Assets



Organization chart



A Message from Independent Director

We promise our stakeholders sustainable growth and improvement of JCF's corporate value. Our Independent Directors state valuable opinions and advices at the board of director's meetings, the management's strategy meetings and committees. Here is a message from one of the Independent Directors, Ms. KATO Yuko.

JC FINANCE PLC. launched a new organization structure with the mission "New finance platform achieved by Japanese support system for farming business (Japanese Nokyo Platform)". I am very pleased to join as an Independent Director at this moment.

More than 15 years have passed since microfinance was first founded in 1983 by Nobel Peace Prize-winning Mr. Muhammad Yunus. The first platform of microfinance, so called "Glamin1", has evolved according to the demand and the market with the changing times and the expansion to other countries and regions. In recent years, the wave of fintech and microfinance have integrated, and we are approaching a new stage.

JCF will steadily establish and provide the Japanese support system for farming business and the new finance platform which JCF has been aiming for from the beginning by understanding both "regionality" and "trends".

We, all the board members, are confident that JCF will achieve its mission and will contribute to the economic growth of the farmers who support the economy of Cambodia.

In addition, the recent expansion of the social impact investments has led to the further growth of the entire microfinance industry. However, this growth should never encourage exploitation from the poor, and the microfinance institutions should always be aware of their role segregation with the commercial banks. We need to be close to our customers at any times.

I believe that the Independent Directors with knowledge in various fields will strengthen the risk management and corporate governance and together with the powerful driving force of the management team, JCF has a very well-balanced corporate structure.

As an Independent Director, I will support JCF's business expansion and growth so that JCF can continue to be an institution that supports to achieve solid growth of the Cambodian microfinance industry and its customers.



Independent Director
KATO YUKO

A handwritten signature in black ink, appearing to read 'Kato Yuko'.

Committees of the Board

To strengthen the governance, JCF has below committees with different levels of managements to effectively control the institution.

Risk Committee

The Risk Committee is composed of four members and chaired by Ms. Kato with expertise in accounting, banking, auditing, riskmanagement and legal aspects. The Risk Committee is responsible for; managing credit risk, capital risk, liquidity and funding risk, operational risk, compliance risk and other relevant risks and reviewing economic and competitive market, political risk and others.

In 2019, the Risk Committee held four times meetings to review and discuss JCF's business and operations.

Audit Committee

The Audit Committee complies with a Prakas of National Bank of Cambodia. The Audit Committee is composed of 3 members and chaired by Ms. Tanaka. The Audit Committee is responsible for ensuring compliance with legal and regulatory requirements and the information provided to the public and NBC is clear, accurate and reliable, and as stipulated in aforementioned Prakas. In 2019, the Audit Committee held meetings four times to review and discuss on matters relating to JCF.

Credit Committee

The Credit Committee is composed of three members and chaired by Mr. Tomari. The Credit Committee is responsible for ensuring that the credit policy is consistent with JCF's long-term objectives and corporate values, checking whether JCF provides services truly contribute to the customer's business development, checking whether JCF pursuit of appropriate profit on the premise of securing soundness and others. In 2019, the Credit Committee held meeting as and when necessary.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is composed of four members and chaired by Ms. Tanaka, an independent director. The Committee is responsible for ensuring the remuneration policy is consistent with the long-term objectives and corporate values of JCF and overseeing the remuneration of employees and making sure that they are all fairly rewarded for their contribution to JCF's performance.

The Committee is also responsible for the selection of board members, senior management and non executive directors.



菊池 育朗 KIKUCHI Ikuo / Director, CEO

- April 1991**
Joined ORIX Corporation
- November 2002**
Joined ABC Capital of ABC Cooking Group
- May 2008**
Appointed as Managing Director of ABC Capital
- January 2014**
Joined Something Holdings Co., Ltd.
Appointed as Executive Officer / MD of Executive Office
- January 2015**
Appointed as Director of SOMETHING HOLDINGS ASIA PTE. LTD (Singapore)
- October 2015**
Appointed as MD of SOMETHING VIETNAM CO., LTD.
- June 2018**
Joined JC FINANCE PLC. Appointed as CEO of the company

西口 友子 NISHIGUCHI Yuko / Director

- April 2008**
Joined Watami Food Service Co.,Ltd.
- June 2010**
Joined School Aid Japan (Public Interest Incorporated Foundation)
Director of Orphanage
- April 2016**
Joined and Supported Establishing
VILLAGE TRADING (CAMBODIA) Co.,Ltd.
- November 2017**
Joined JC FINACE PLC. as HR Manager
- December 2019**
Appointed as Director of JC FINANCE PLC.



泊 傑 TOMARI Suguru / Director

- April 2009**
Joined Sumitomo Mitsui Banking Corporation
- June 2012**
Moved to Cambodia to start a new business
- July 2015**
Joined Luckland(CAMBODIA) Co., Ltd.
Corporate Advisor
- March 2016**
Supported Establishing JC FINANCE PLC.
- July 2018**
Appointed as COO of JC FINANCE PLC.
- December 2018**
Appointed as Director, COO of JC FINANCE PLC.



田中 あい TANAKA Ai / Independent Director

December 2004

Joined All About Inc.

June 2008

Joined Allm Inc. (Healthcare company in Japan)

October 2018

Appointed as CEO of LJ Finance Ltd. (Microfinance in Laos)

December 2018

Appointed as an Independent Director of JC FINANCE PLC.

加藤 侑子 Kato Yuko / Independent Director

January 2012

Joined Lucent Link Ltd. as Project Manager

November 2012

Joined GCM Ltd. as Researcher

May 2013

Joined MJI Enterprise Co, Ltd. as Country Manager

April 2015

Appointed as Director of MJI Enterprise Co, Ltd. (Microfinance, Myanmar)

November 2016

Appointed as Chief Executive Officer of MJI Enterprise Co, Ltd.

October 2019

Appointed as Independent Director of JC FINANCE PLC.



Guiding the farmers to be active!

Currently, JCF is providing finance to our customers, the farmers, to help them increase efficiency, expand their production, and even start a new business to generate extra income. We are not like other microfinance institutions that provide finance to purchase consumer products such as cell phones, motorbikes, or cars. We provide finance to purchase agricultural machineries, mainly tractors and combine harvesters. The farmers not only cultivate their own farmland but also other people's farmland to earn commission revenue depending on the contracted area. Generally, the farmers' annual income is under US\$5,000 under severe environment. However, by starting this side business with our support, the farmers may be able to earn more than USD30,000 per year. JCF offers flexible repayment of the loan customized to each customer that is sufficient with the surplus funds where the necessary living expenses are deducted from their

income. Our next step is to provide finance to the farmers who are successful to expand their businesses and move on to the area of financial planning such as guiding them on how to use surplus funds. We will accurately grasp the timing of lifetime events of our customers and provide appropriate advice and finance as and when needed.

JCF believes that supporting our customers in both expanding businesses and improving the quality of private lives are realizing our corporate value of "financial institution that cares for people". In some cases, farmers can only be passive due to the difference in the information they can gather. However, they can shift to be active by letting JCF support their businesses. With strategies like ours, the rise of Cambodian agriculture sector will establish a solid and important agricultural exporter's position for neighboring countries.

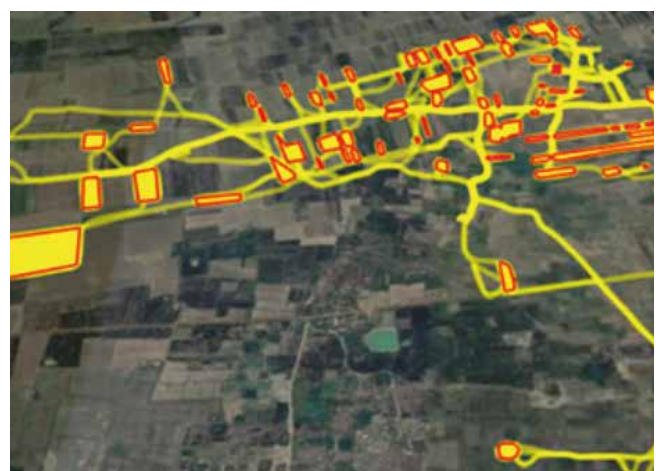
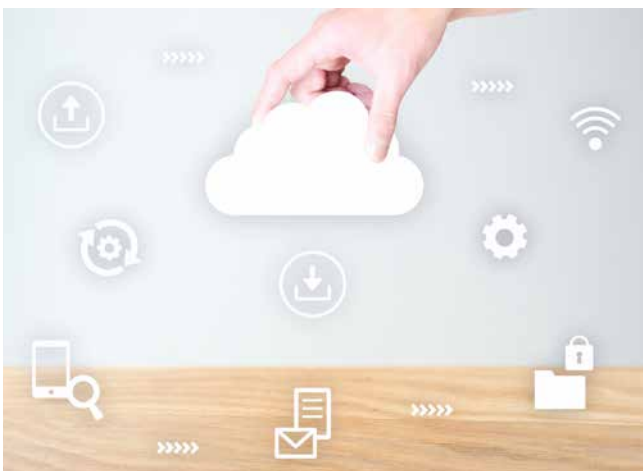


DX is the Key to Development of Financial Industry

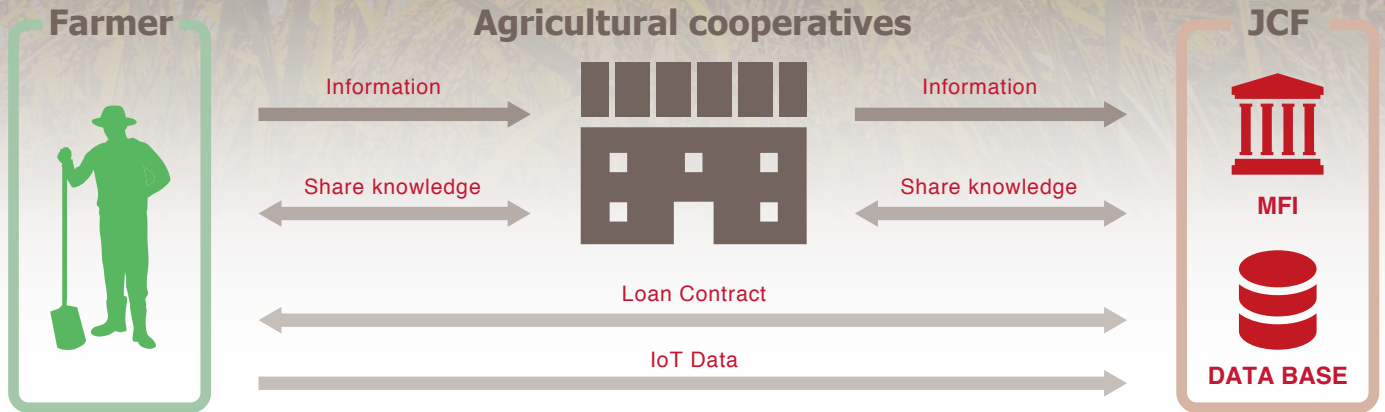
From the past, JCF has been seeking ways to integrate technology, such as IoT, into our business. As a result, the utilization of GPS attached to our financed agricultural machineries is most successful. We are able to manage our collaterals, the agricultural machineries, and how much our customers, the farmers, work which equals to their income situation by obtaining dynamic data such as capturing location and movement of the equipment 24 hours 7 days. In particular, the latter is highly effective as a credit monitoring method and we recognize it as an important alternative to monitor our customers deposit transactions.

JCF has launched a DX (Digital Transformation) promotion project to further utilize these IoT. We set the

business operation improvement area as a short-term goal and the credit improvement area as a mid/long-term goal. Some of the examples for the business operation improvement area are online contract (digital signature) and non-face-to-face system for loan contract conclusion with the customers. For the credit improvement area, one of the most important function for the financial institutions, we will be establishing automatic credit judgement system based on the machine learning and making effective use of satellite image data as a judgement factor for natural environmental risks of our customers, the farmers. By promoting this project urgently, we would be able to allocate human resources to areas where only humans can handle and where humans should be.



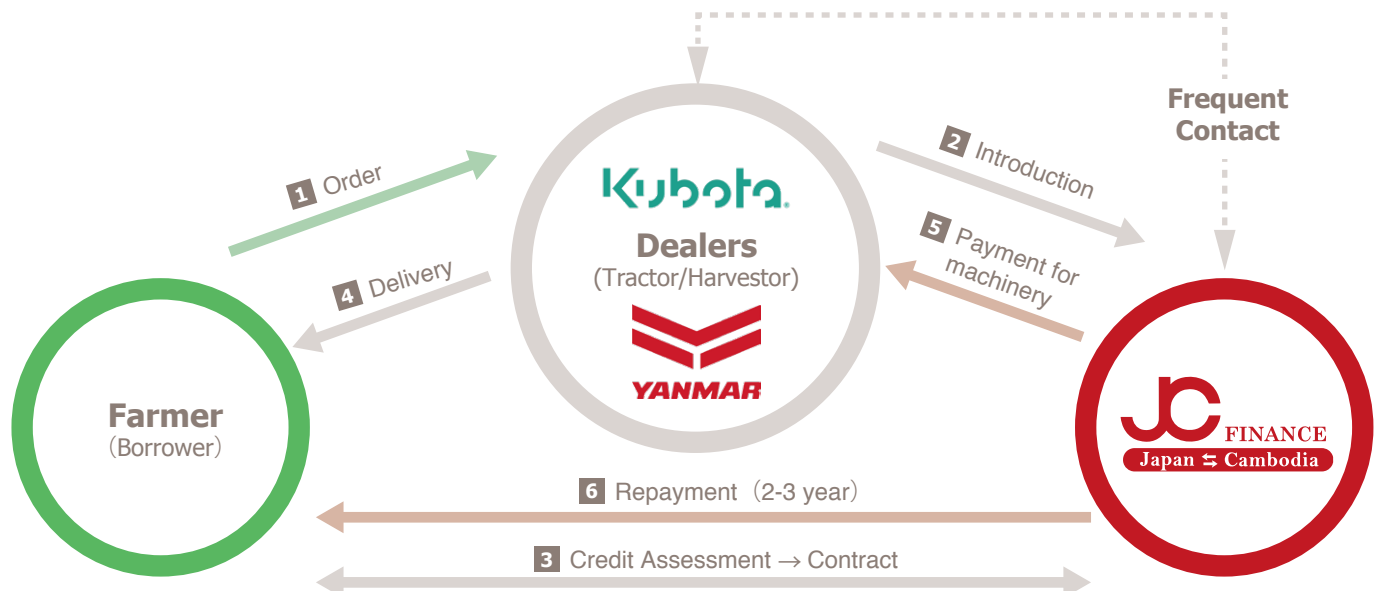
Nokyo-Platform will accelerate the change



Since the establishment, JCF is inspired by Japanese “Nokyo Platform” and focused on bringing this business model that has not yet been established in Cambodia. This business model has two functions: trading function and financial function, and complements each other to enhance customer convenience. We are confident that “Nokyo Platform” will contribute significantly to the growth of Cambodia’s agricultural sector. Currently, we are achieving the trading function by collaborating with a good partner. On the other hand, the importance of the financial function, JCF’s core business, is accurately grasping the farmers finance needs at various stages of agricultural business, unique credit method and closely monitor & control the movements of farmers’ cash holdings. For

example, we can presume the customers’ needs by grasping the dynamics of customers’ funds which can be captured by WING (Specialized Bank for remittance) system that is also used for making repayments from the customers. To put it briefly, by collaborating with JCF, we will establish a business model that the customers use the WING account not only for making repayments but also when they have income to understand the movements of customers’ fund. “Nokyo Platform” has become the basis for covering not limited to business financing to the farmers but expanded to financial planning for individuals. JCF will continue moving forward with the significance and the pride of realizing this business model here in Cambodia.

Business flow of Agricultural Machinery Loan



SDGs

Sustainable Development Goals



Approach to SDGs

The SDGs are a universal call to action adopted at the UN Summit in September 2015 to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The SDGs are the goals that 193 member states of the United Nations have set to achieve in 15 years from 2016 to 2030. There are 17 major goals and 169 specific targets. Out of 17 goals, we are focusing on 9th goal "Industry, Innovation and Infrastructure" in aligned with our vision. The specific targets of the 9th goal are as follows;

9th Goal : INDUSTRY, INNOVATION AND INFRASTRUCTURE

TARGET 9 · 3

Expand access to financial services, such as cheap money lending, and integration into value chains and markets for small manufacturers and other companies.

TARGET 9 · A

Promote sustainable and resilient infrastructure development in developing countries through enhanced financial, technology and technology support.

We regard farmers, our customers, as small-scale companies, and consider that providing funds to these farmers through our financial platform is a mechanism to support establishing the agricultural business field. In addition, we are actively involved to spread the Japanese agricultural technologies by collaborating with Japanese companies that support farming. As a result, it can

be said that we are bringing innovation into the agricultural sector, which is one of Cambodia's main industries, and participating in establishing the bases to improve the living standard for the people of Cambodia. This initiative can be expanded to other business fields as we grow.

Company Event — Internship Project —



JCF started to accept the Internship Students from Japan in 2019, in order to support internal operations, motivate staffs, and improve their English skills.

In 2019, a total of 6 internship students came to work at JCF, and each of them has been active in various fields based on their own interests and skills. Through each experience at JCF, we hope that they will have successful new lives in Japan and grow by keep challenges.

Here are some of the fieldwork they have done.



One internship student held Mind-up training in English to improve staff's English ability and motivate them. As a result, the staff's motivation to improve their English ability increased, and nowadays, they have started to study on their own.



One internship student has launched various SNS, analyzed the customer base of each SNS, made a strategy and started posting. Through calling for support to our staffs, we gained a large number of viewers locally and increased the number of approaches to new customers.



One Internship interviewed local farmers and tried to develop a JCF's new financial product from their needs. She also worked in instilling new experience and the way of thinking in the staffs.

Financial Statement Summary

There was a big change in accounting rules in 2019. At the request of NBC (National Bank of Cambodia), a supervisory authority of JCF, we changed the accounting rules from CAS (Cambodian Accounting Standards) to CIFRS (Cambodian International Financial Reporting Standards). We will be reporting according to CIFRS from FY2019 onward. In order to maintain consistency with the previous fiscal year, we have converted the financial statement for FY2018 to CIFRS as well and obtained confirmation from our audit firm Ernst & Young (Cambodia) Ltd. As a result, we would like to report that the final profit of USD26,000 according to CAS turned out to be the final loss of USD21,000 according to CIFRS for FY2019.

Financial Statement Summary (BS)

4075
KHR '000

4018
KHR '000

		31Dec2019 (USD)	31Dec2019 (KHR)	31Dec2018 (USD)	31Dec2018 (KHR)
01	ASSETS				
02	Balances with other banks	338,276	1,378,475	914,258	3,673,489
03	Balances with the NBC	622,757	2,537,735	102,158	410,471
04	Loans and advances to customers	7,453,685	30,373,766	5,927,735	23,817,639
05	Other assets	73,982	301,477	46,127	185,338
06	Property and equipment	16,741	68,220	16,520	66,377
07	Software	34,563	140,844	35,524	142,735
08	TOTAL ASSETS	8,540,004	34,800,517	7,042,322	28,296,049
09	LIABILITIES AND SHAREHOLDER'S EQUITY				
10	LIABILITIES				
11	Income tax payable	1,202	4,898	1,008	4,050
12	Borrowings	4,037,180	16,451,509	2,546,471	10,231,720
13	Other liabilities	85,978	350,360	58,196	233,832
14	Total liabilities	4,124,360	16,806,767	2,605,675	10,469,602
15	SHAREHOLDER'S EQUITY				
16	Share capital	2,000,000	8,150,000	2,000,000	8,036,000
17	Deposit for future capital injection	3,000,000	12,225,000	3,000,000	12,054,000
18	Regulatory reserve	71,840	292,748	59,294	238,243
19	Retained earnings	-656,196	-2,673,999	-622,647	-2,501,796
20	Cumulative exchange translation differences				
21	Total shareholder's equity	4,415,644	17,993,750	4,436,647	17,826,447
22	Total Liabilities and shareholder's Equity	8,540,004	34,800,517	7,042,322	28,296,049

Financial Statement Summary (PL)

4052
KHR '000

4045
KHR '000

		2019 (USD)	2019 (KHR)	2018 (USD)	2018 (KHR)
01	Operating income				
02	Interest income	1,266,703	5,132,681	567,354	2,294,947
03	Interest Expense	-364,141	-1,475,499	-107,483	-434,769
04	Net interest income	902,562	3,657,182	459,871	1,860,178
05	Other operating income	35,941	145,633	9,715	39,297
06	Total operating income	938,503	3,802,815	469,586	1,899,475
07	General and administrative expenses	-901,947	-3,654,689	-1,022,519	-4,136,089
08	Provision for losses on loans and advances to customers	-43,905	-177,903	-4,285	-17,333
09	Loss before income tax	-7,349	-29,777	-557,218	-2,253,947
10	Income tax expense	-13,653	-55,325	-6,135	-24,816
11	Net Loss for the year	-21,002	-85,102	-563,353	-2,278,763

Reference: 61380617-21521658

INDEPENDENT AUDITOR'S REPORT

To: The Shareholders of JC FINANCE PLC.

Opinion

We have audited the financial statements of JC FINANCE PLC. ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the 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.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities ("CIFRS for SMEs").

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 sub-decree on the Code of Ethics for Professional Accountants and Auditors promulgated by the Royal Government of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information obtained at the date of the auditor's report comprises the Report of the Board of Directors as set out in pages 1 to 3. Management is responsible for the other information.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with CIFRS for SMEs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

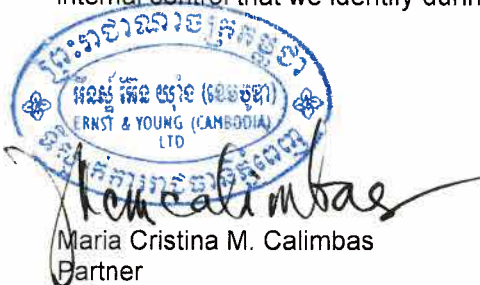
Auditor's Responsibilities for the Audit of the Financial Statements

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Maria Cristina M. Calimbas
Partner

Ernst & Young (Cambodia) Ltd.
Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia

22 May 2020

JC FINANCE PLC.

STATEMENT OF FINANCIAL POSITION as at 31 December 2019

	Notes	2019		2018	
		US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2) <i>(As restated - Note 3)</i>
ASSETS					
Balances with other banks	6	338,276	1,378,475	914,258	3,673,489
Balances with the National Bank of Cambodia	7	622,757	2,537,735	102,158	410,471
Loans and advances to customers	8	7,453,685	30,373,766	5,927,735	23,817,639
Other assets	9	73,982	301,477	46,127	185,338
Property and equipment	10	16,741	68,220	16,520	66,377
Software	11	34,563	140,844	35,524	142,735
TOTAL ASSETS		8,540,004	34,800,517	7,042,322	28,296,049
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Income tax payable	12.2	1,202	4,899	1,008	4,050
Borrowings	13	4,037,180	16,451,509	2,546,471	10,231,719
Other liabilities	14	85,978	350,360	58,196	233,832
Total liabilities		4,124,360	16,806,768	2,605,675	10,469,601
SHAREHOLDERS' EQUITY					
Share capital	15	2,000,000	8,000,000	2,000,000	8,000,000
Deposit for future capital subscription	16	3,000,000	12,000,000	3,000,000	12,000,000
Regulatory reserve	17	71,840	290,254	59,294	239,844
Accumulated losses		(656,196)	(2,654,122)	(622,647)	(2,518,608)
Cumulative differences on exchange translation		-	357,617	-	105,212
Total shareholders' equity		4,415,644	17,993,749	4,436,647	17,826,448
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,540,004	34,800,517	7,042,322	28,296,049

The attached notes 1 to 24 form part of these financial statements.

JC FINANCE PLC

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2019

Notes	For the year ended 31 December 2019		For the period from 14 September 2017 to 31 December 2018	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2) <i>(As restated - Note 3)</i>
Operating income				
Interest income	18	1,266,703	5,132,681	567,354
Interest expense	19	(364,141)	(1,475,499)	(107,483)
Net interest income		902,562	3,657,182	459,871
Other operating income	20	35,941	145,633	9,715
Total operating income		938,503	3,802,815	469,586
General and administrative expenses	21	(901,947)	(3,654,690)	(1,022,519)
Provision for losses on loans and advances to customers	8	(43,905)	(177,903)	(4,285)
Loss before income tax		(7,349)	(29,778)	(557,218)
Income tax expense	12	(13,654)	(55,326)	(6,135)
Net loss for the year		(21,003)	(85,104)	(563,353)
<i>Other comprehensive income item:</i>				
Difference on exchange translation		-	252,405	-
Net comprehensive loss for the year		(21,003)	167,301	(563,353)
				(2,173,552)

The attached notes 1 to 24 form part of these financial statements

JC FINANCE PLC

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2019

	Share capital US\$	Deposit for future capital subscription US\$	Accumulated losses US\$	Regulatory reserve US\$	Cumulative differences on exchange translation KHR'000	Total US\$
As at 1 January 2019 (as restated - Note 3)	2,000,000	3,000,000	(622,647)	59,294	105,212	4,436,647
Net loss for the year	-	-	(21,003)	-	-	(21,003)
Transfer to regulatory reserve	-	-	(12,546)	12,546	-	-
Difference on exchange translation	-	-	-	-	252,405	-
As at 31 December 2019	2,000,000	3,000,000	(656,196)	71,840		4,415,644
KHR'000 equivalent (Note 2)	8,000,000	12,000,000	(2,654,122)	290,254	357,617	17,993,749
As at 14 September 2017	-	-	-	-	-	-
Share capital contribution	2,000,000	-	-	-	-	2,000,000
Deposit for future capital subscription	-	3,000,000	-	-	-	3,000,000
Net loss for the period (as restated - Note 3)	-	-	(563,353)	-	-	(563,353)
Transfer to regulatory reserve	-	-	(59,294)	59,294	-	-
Difference on exchange translation	-	-	-	-	105,212	-
As at 31 December 2018 (as restated - Note 3)	2,000,000	3,000,000	(622,647)	59,294		4,436,647
KHR'000 equivalent (Note 2)	8,000,000	12,000,000	(2,518,608)	239,844	105,212	17,826,448

The attached notes 1 to 24 form part of these financial statements.

JC FINANCE PLC

STATEMENT OF CASH FLOWS for the year ended 31 December 2019

	Notes	For the year ended 31 December 2019		For the period from 14 September to 31 December 2018	
		US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
OPERATING ACTIVITIES					
Loss before income tax		(7,349)	(29,778)	(557,218)	(2,253,948)
<i>Adjustments for:</i>					
Depreciation and amortization	21	6,703	27,161	17,816	72,066
Amortization of borrowing fee	13	4,982	20,187	2,849	11,524
Interest expense	19	364,141	1,475,499	107,483	434,769
Interest paid		(325,622)	(1,319,420)	(103,879)	(420,190)
Income tax paid	12.2	(13,460)	(54,538)	(5,127)	(20,739)
Operating profit (loss) before movements in operating assets and liabilities		29,395	119,111	(538,076)	(2,176,518)
<i>Movements in operating assets and liabilities:</i>					
Loans and advances to customers	8	(1,525,932)	(6,183,076)	(5,927,735)	(23,977,688)
Other assets	9	(27,855)	(112,868)	(46,127)	(186,584)
Other liabilities	14	27,782	112,573	58,197	235,407
Statutory deposit		-	-	(100,000)	(404,500)
Time deposit		-	-	(200,000)	(809,000)
Net cash used in operating activities		(1,496,610)	(6,064,260)	(6,753,741)	(27,318,883)
INVESTING ACTIVITIES					
Acquisition of:					
Property and equipment	10	(5,962)	(24,158)	(30,389)	(122,924)
Software		-	-	(39,471)	(159,660)
Net cash used in investing activities		(5,962)	(24,158)	(69,860)	(282,584)
FINANCING ACTIVITIES					
Proceeds from borrowings		3,750,578	15,197,342	3,381,578	13,678,483
Repayment of borrowings		(2,303,389)	(9,333,332)	(841,561)	(3,404,114)
Proceeds from capital contribution		-	-	2,000,000	8,090,000
Deposit for future capital subscription		-	-	3,000,000	12,135,000
Net cash generated from financing activities		1,447,189	5,864,010	7,540,017	30,499,369
Net (decrease) increase in cash and cash equivalents		(55,383)	(224,408)	716,416	2,897,902
Cash and cash equivalents at beginning of year	5	716,416	2,878,560	-	-
Difference on exchange translation		-	39,558	-	(19,342)
Cash and cash equivalents at end of year	5	661,033	2,693,710	716,416	2,878,560

The attached notes 1 to 24 form part of these financial statements.

JC Finance Plc.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2019 and for the year then ended

1. CORPORATE INFORMATION

JC Finance Plc. (“the Company”) is a licensed microfinance institution (“MFI”) incorporated and registered in the Kingdom of Cambodia.

Establishment and operations

The Company was incorporated in Cambodia on 14 September 2017 as a public limited company under registration no. 00028092 issued by the Ministry of Commerce (“MoC”). The Company received a microfinance license from the National Bank of Cambodia (“NBC”) on 17 January 2018 for a validity of three-year period until 17 January 2021.

The principal activity of the Company is to provide financial services focused on agricultural loans to support farmers in Cambodia.

The Company’s registered office address is located at No. 11, Street 376, Sangkat Boeung Keng Kang III, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

Employees

As at 31 December 2019, the Company had a total of 49 employees (2018: 40 employees).

Approval of the financial statements

The financial statements were authorized for issue by the Board of Directors (“BoD”) on 22 May 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Company, expressed in United States dollar (“US\$”), are prepared in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities (“CIFRS for SMEs”).

The financial statements for the initial period from 14 September 2017 to 31 December 2018 were prepared in accordance with Cambodian Accounting Standards (“CASs”) and relevant regulations and guidelines issued by the NBC, collectively referred to as previous generally accepted accounting principles (“GAAP”).

The financial statements for the year ended 31 December 2019 are the Company’s first financial statements that comply with the CIFRS for SMEs. Accordingly, the Company prepared financial statements that comply with CIFRS for SMEs applicable as at 31 December 2019, together with the corresponding figures information for the initial period from 14 September 2017 to 31 December 2018.

The transition to the CIFRS for SMEs has resulted to a number of changes in the Company’s accounting policies compared to those used when applying the previous GAAP (*Note 3*).

The translation of the US\$ amounts into Khmer riel (“KHR”) is presented in the financial statements to comply with the Law on Accounting and Auditing and the relevant provision of CIFRS for SMEs using the closing and average rates for the year then ended, as announced by the General Department of Taxation of Cambodia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

Assets and liabilities are translated at the closing rate ruling at each reporting date, whereas income and expense items are translated at the average rate for the year then ended. All resulting exchange differences are recognized as a separate component of equity. Such translation should not be construed as a representation that the US\$ amounts represent, or have been or could be, converted into KHR at that or any other rate. All values in US\$ and KHR are rounded to the nearest dollar and thousand KHR (“KHR’000”), respectively, except otherwise indicated. The financial statements are presented in KHR based on the following applicable exchange rates per US\$1:

	2019	2018
Closing rate	4,075	4,018
Average rate	4,052	4,045

Fiscal year

The Company’s fiscal year starts on 1 January and ends on 31 December.

Functional and presentation currency and foreign exchange

The national currency of Cambodia is KHR. However, as the Company transacts its business and maintains its accounting records primarily in US\$, management has determined the US\$ 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 currencies other than US\$ are translated to US\$ at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US\$ which are outstanding at the reporting date are translated into US\$ at the rate of exchange ruling at that date. Exchange differences arising on translation are recognized in the statement of comprehensive income.

Financial instruments

The Company applied both Section 11 on Basic Financial Instruments and Section 12 on Other Financial Instrument Issues in full.

The Company’s financial instruments consist of basic financial assets and liabilities such as cash on hand, current account with the NBC, balances with other banks, loans and advances to customers, other current assets (except prepayment), borrowings and other liabilities (except withholding tax payables and seniority indemnity).

Financial assets and financial liabilities are recognized only when the entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at the transaction price unless the arrangement constitutes a financing transaction. A financing transaction may take place if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. If the arrangement constitutes a financing transaction, the Company shall measure the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss.

After initial recognition, all basic financial instruments are measured at amortized cost using effective interest method (“EIR”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

At the end of each reporting period, the Company assesses whether there is objective evidence of impairment of any financial assets that are measured at cost or amortized cost. If there is objective evidence of impairment, the Company recognizes an impairment loss in profit or loss immediately.

For financial assets measured at amortized cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate ("EIR"). If such a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR determined under the contract.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the Company shall reverse the previously recognized impairment loss either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognized. The Company shall recognize the amount of the reversal in profit or loss immediately.

Derecognition of financial assets and financial liabilities

Financial assets

The Company shall derecognize a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire or are settled; or
- The Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Company shall (a) derecognize the asset, and (b) recognize separately any rights and obligations retained or created in the transfer.

If a transfer does not result in derecognition because the Company has retained significant risks and rewards of ownership of the transferred asset, the Company shall continue to recognize the transferred asset in its entirety and shall recognize a financial liability for the consideration received. The asset and liability shall not be offset. In subsequent periods, the entity shall recognize any income on the transferred asset and any expense incurred on the financial liability.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the carrying value of the original liability and the recognition of a new liability, at fair value and any resulting difference is recognized in profit or loss.

JC Finance Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and financial liabilities (continued)

Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents include cash on hand, balances with the NBC and other banks and short-term highly liquid investments with original maturities of three months or less from the respective dates of placements, and that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Balances with other banks

Balances with other banks are carried at cost.

Statutory deposit

Statutory deposit is maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and is determined by defined percentage of minimum share capital as required by the NBC.

Loans and advances to customers

Loans and advances to customers are initially recognized at the transaction prices (including transaction costs) and subsequently measured at amortized cost using effective interest method.

At the end of each reporting period, the carrying amounts of loans and advances to customers are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence of impairment, an impairment loss is recognised immediately in profit or loss. Impairment loss is the difference between carrying amounts of loans and advances and the present value of estimated cash flows discounted at the asset's original effective interest rate.

Objective evidences of impairment include observable data that come to the management's attention about the following loss events:

- Significant financial difficulty of the borrower;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It has become probable that the borrower will enter bankruptcy;
- Observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or adverse changes in industry conditions.

Loans and advances to customers are grouped on the basis of similar credit risk characteristics.

Reversal of impairment

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the entity shall reverse the previously recognised impairment loss either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognised. The entity shall recognise the amount of the reversal in profit or loss immediately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Regulatory reserve

Regulatory reserve is set up to account for the difference in provision between loan impairment determined in accordance with CIFRS for SMEs and the regulatory provision computed in accordance with NBC Prakas No B7-017-344 dated 1 December 2017 and Circular No B7-018-001 dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions.

The regulatory provision requires banks and financial institutions to classify their loan portfolio into five classes and provide general and specific allowance based on the loan classification as follows:

<i>Classification</i>	<i>Number of days past due</i>	<i>Allowance rate</i>
Standard	0 to 14 days (short-term)	1%
	0 to 29 days (long-term)	
Special mention	15 days to 30 days (short-term)	3%
	30 days to 89 days (long-term)	
Substandard	31 days to 60 days (short-term)	20%
	90 days to 179 days (long-term)	
Doubtful	61 days to 90 days (short-term)	50%
	180 days to 359 days (long-term)	
Loss	From 91 days (short-term)	100%
	360 days or more (long-term)	

The Company shall compare the provision calculated in accordance with CIFRS for SMEs and the regulatory provision, and:

- (i) In case the regulatory provision is lower than provision calculated under CIFRS for SMEs, the Bank shall record the provision calculated in accordance with CIFRS for SMEs; and
- (ii) In case the regulatory provision is higher than provision calculated under CIFRS for SMEs, the Bank shall record the provision calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings to the regulatory reserve.

Other assets

Amounts receivable are recognized initially at transaction prices and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of the amounts receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the amounts receivable is reduced through the use of the allowance account and the amount of loss is recognized in the statement of comprehensive income.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. After initial recognition, interest-bearing borrowings are measured at amortized cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective rate method. For floating interest borrowings, effective interest rate is being calculated based on the revised cash flow expectations every reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are stated at cost excluding day-to-day servicing, less accumulated depreciation and provision for impairment in value (if any). Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate and treated as a change in accounting estimate.

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. 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.

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 expensed.

Gain or loss arising from the retirement or disposal of an item of property and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and is recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

Leasehold improvements	5 years
Computer equipment	5 years
Office equipment	6 years
Motor vehicles	10 years

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

If there is an indication that there has been a significant change in the useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Software

Software is stated at cost less accumulated amortization and accumulated impairment losses, if any. It is amortized on a straight-line basis at the rate of 10% per annum. If there is an indication that there has been a significant change in amortization rate, useful life or residual value of software, the amortization is revised prospectively to reflect the new expectations.

Impairment of non-financial assets

At each reporting date, property and equipment and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Calculation of recoverable amount

The recoverable amount of the Company's long-term assets is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and if circumstances subsequently improve and there is persuasive evidence that the improved circumstances will persist.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Employee benefits

Short-term employee benefits

Short-term employee benefits are accrued in the financial period in which the associated services are rendered by the employees of the Company.

Retroactive seniority indemnity

On 21 September 2018, the Ministry of Labor and Vocational Training ("MoLVT") issued Prakas No. 443 on Seniority Payment to all enterprises, establishments and those who are covered by the provision of Article 89 (New) of the Labor Law. The said Prakas requires retroactive seniority payment. According to the clarification issued by MoLVT No. 042 dated 22 March 2019, the payment of retroactive seniority indemnity will be made from 2021 as follows:

Equal to three days payable every June; and

Equal to three days payable every December.

The retroactive seniority payment shall not exceed 6 months of employee's average wage of each retrospective year. Employees are not entitled to the payment if they resign before receiving it.

Accordingly, the Company has accrued for retroactive seniority indemnity as disclosed in (Note 14).

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Company as a lessee

Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term (Note 22.1).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Corporate income tax

Current income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

The current income tax charge is calculated on the basis of the tax rates and laws that have been enacted or substantially enacted by the reporting date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretations. It establishes provisions, where appropriate, on the basis of the amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognized in profit or loss. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Other liabilities

Other liabilities are stated at cost which represents the fair value of the consideration expected to be paid in the future for goods and services received.

Provisions

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but disclosed in the notes to consolidated financial statements when an inflow of economic benefit is probable.

Effective interest rate

Effective interest rate ("EIR") is a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

When calculating the EIR, the Branch estimates the expected cash flow by considering all the contractual terms of the financial instrument, but not considering the expected credit loss. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Recognition of income or expense

Interest income is earned from loans and advances to customers and balances with the NBC and other banks. Interest income is calculated using the effective interest method presented in the statement of comprehensive income includes interest on financial assets measured at amortized cost.

Interest expense is also calculated using the EIR method for all financial liabilities held at amortized cost. Interest expense presented in the statement of comprehensive income includes financial liabilities measured at amortized cost.

Related parties

Enterprises and individuals that directly or indirectly, through one or more intermediaries, control, are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close family members of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.



Company Name ----- JC FINANCE PLC.

Business Category ----- Micro finance Institution

License Number ----- M.F-85

Establishment ----- January 17th,2018

Representative ----- CEO KIKUCHI Ikuo

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