



ANNUAL REPORT



ជេស៊ី ហ្វាយនែន ម.ក
JC FINANCE PLC.



GROWING TOGETHER WITH CAMBODIA





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* "JCF" is an abbreviation of JC FINANCE PLC.

Cambodia's Overview

Name of Country	Kingdom of Cambodia
Total Area	181,035 sq km
Population	15,530K (2019, NIS Cambodia*)
Capital	Phnom Penh
Languages	Khmer (97.05%), Minority Ethnic Group Language (2.26%) Vietnamese (0.42%) (2013, NIS Cambodia*)
Religion	Buddhism (97.9%), Islam (1.1%), Christianity (0.5%) etc. (2013, NIS Cambodia*)
Official language	Khmer

* National Institute of Statistics, Ministry of Planning, Cambodia



History and Geopolitics

Based on Cambodia and China's strong relationship from a long time ago, the influence of China is blended into Cambodia people's lives despite the fact that both countries do not have direct border. Historically, China has deepened its relationship with Cambodia with the aim of balancing relations with the neighboring countries such as Thailand and Vietnam.

Economy

In recent years, the amount of direct investment from China has been remarkably increasing. It is said that more than 80% comes from China, and the main fields are infrastructure construction, real estate, resort development, garment industry, etc. China's aid engagement with Cambodia is also the largest among other countries.

Politics

Although the Hun Sen government has been going on for a long time since 1985, there are voices praising the economic effects of the stable handling. Diplomatically, it espouses a neutral policy, however its relationship with China stands out with a strong economic tie.

Relations with Japan

Basically, Cambodia is considered to be highly pro-Japanese as Japan played a major role in the postwar reconstruction process in terms of funding and human resources. The good relationship is based on popularization of high quality Japan-made consumer and durable goods and the effort of preparation of legal aspects such as civil law and real estate related laws support by the Japanese Government.

External Environment in 2020 (Covid-19 Pandemic)

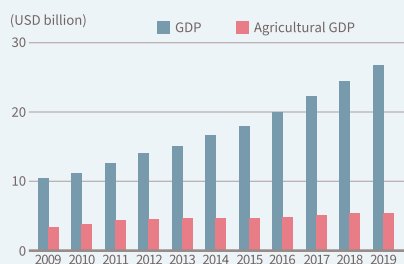
From the end of 2019, Covid-19 spread across the world instantly and caused a global pandemic. Regarding the infection situation of Cambodia, the number of positive cases was small and under control initially, and it seemed that the government's countermeasures had some effect until the beginning of 2021. However, in February 2021, a large-scale cluster occurred in Phnom Penh due to the action lacking consideration of foreigners, and the infection rate and the number of deaths has been increasing at an accelerating rate since then. On the other hand, our customers, farmers, have begun to overdue their loan repayments due to the

deterioration of the business environment such as the restriction of people's movement and the stagnation of logistics, as well as the unprecedented drought and flood. The government also requested financial institutions for support measures to their customers such as exemption of delinquency charges and JCF has been providing these measures. At the same time, we visited our customers as much as possible and carefully discussed "how to continue to make repayment on time and keep a long-range good business relationship in the future". As a result, by the end of FY2020, we were able to reduce and control the overdue receivables.

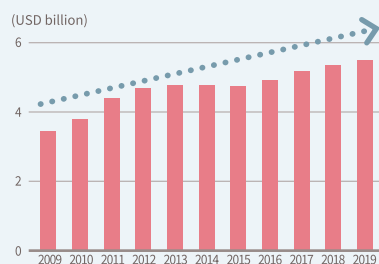
Agricultural Sector and MFI Market

GDP Transition » Comparing with Agricultural sector

GDP and Agricultural GDP of Cambodia

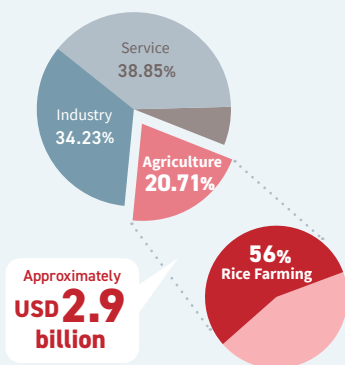


Agricultural GDP of Cambodia

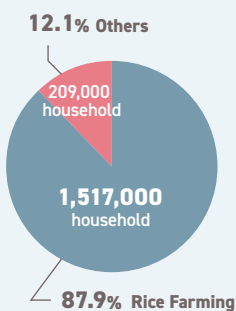


The agricultural sector share of Cambodia's GDP is relatively declining due to the changes in industrial structure. However the amount is gradually increasing. Dramatic changes can be expected if technological innovation (such as implementation of Agritech, etc.) is realized in the Cambodian agricultural sector.

Breakdown of GDP (2019) ^{*1}



Number of Agricultural Households (2019) ^{*2}



Agricultural GDP accounts for about USD5.2 billion, which is about 20% of the total GDP, of which rice farming is about USD2.9 billion which accounts for 56% of agricultural GDP.

Approximately 90% of all households engaged in agriculture are rice farmers and in order to have a technical and financial impact on the agricultural sector, it is considered efficient and effective to focus on the rice farming field and its related fields.

^{*1} Source: JCF research based on NBC reports and others

^{*2} Source: JCF research based on NBC reports and others

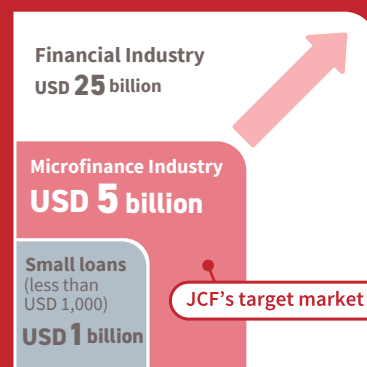
^{*3} Source: National bank of Cambodia [Annual Report]

As shown in the graphs, the agricultural sector, one of the main industries of Cambodia, has a great potential.

It is a sector that can achieve the productivity and quality level comparable to that of developed countries by investing sufficient technology and funds.

Cambodia, with a population of 16 million, is already attracting attention as a rice exporter, and may be given an important position in solving the world's food problems in the future.

Market of Microfinance (2019) ^{*3}



The financial sector is expanding with the economic development of Cambodia.

The business model of microfinance institutions are not limited to the general group lending but are diversifying into various financing services and fields.

Mission and Responsibilities



A Message from the CEO



**Creating our future
after turning to profit**



CEO / KIKUCHI Ikuo

菊池育朗

First of all, I would like to express my deepest condolences to those who have lost loved ones to the Covid-19 illness and my sympathies to those who have suffered from the Covid-19 illness. The spread of vaccines is awaited in each country, however the recovery speed depends significantly on how each individual behave and take actions regardless of the policies and restrictions of each government. Let us do what each individual can do and overcome these difficulties together.

JCF obtained its license of Microfinance Institution from National Bank of Cambodia in January 2018, and three terms have passed after the fiscal year of 2020. A major feature of JCF is that we not only provide financial services to owners of small and medium-sized companies as business funds, but also collaborate with them to create new businesses. In particular, in the mid-term plan, we aim to show a strong presence compare to other financial institutions in Cambodia in terms of quality and quantity by providing cutting-edge “Agricultural Finance” to customers.

From the end of 2019, Covid-19 has spread globally and left a major negative impact on the world economy. Looking at the economic growth rate of Cambodia (IMF statistics), it was a high level of 7.05% in FY2019. However, it slowed down to -3.53% in FY2020 and it is expected to recover to 4.16% in FY2021 based on a certain scenario. Downside risks are a relapse of the pandemic, a continuing tough economic environment and other natural disasters and geopolitical risks. I believe that establishing the efficacy of the vaccine and increasing the speed of spreading it is the first step to solving these various problems.

On the other hand, during this period, JCF's FY2019 performance changed from a surplus of USD26K under the old accounting standard (CAS) to a deficit of USD21K under the new accounting standard (CIFRS) due to a change in the accounting system. In FY2020, the serious impact of Covid-19 began from 2Q, and in addition, due to natural disasters such as drought and the unprecedented flood in recent years, the

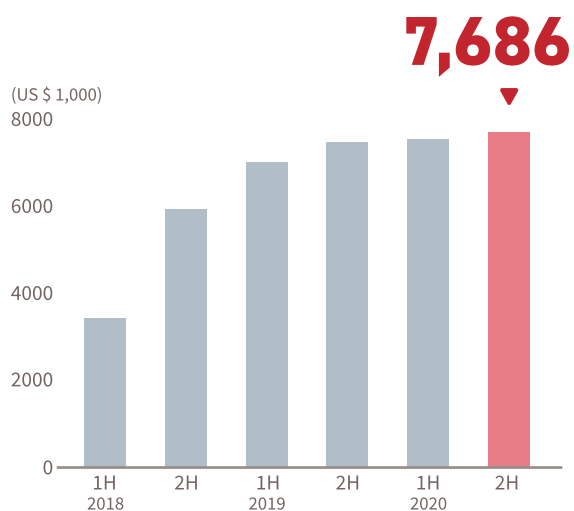
amount of loans disbursed decreased significantly. At the same time, disruption of the flow of people and logistics caused slow collection. Our collection team has suppressed the deterioration of the situation by strengthening the collection through closer contact with the customers. As a result, the full-year profit for FY2020 was \$ 87K, and we were able to become profitable in the third term of establishment. On the other hand, in terms of the assets, the loan balance increased only by 3.1% compared to FY2019. Although the impact of Covid-19 was a major factor of this result, the sales and marketing strategy should be reviewed and revised. To summarize FY2020, I understand that under an environment where it was not easy to increase the sales figure, the collection, a defensive measure, was particularly important.

In 2021, we will focus on the following three points to establish the foundation for the next generation in order to further evolve our business strategy. First, expanding the targeted industry. To date, our main target was supporting the business of rice farmers, but in the future, we are considering expanding into other primary industries such as the fisheries and dairy farming. Second, we will build a new credit scoring system by coordinating with existing DX data. Third, as a financial function of the “Nokyo Platform”, we will support the ecosystem related to the agricultural value chain in every aspect. In other words, we will establish the field of “Agricultural Finance” and show unprecedented existence value.

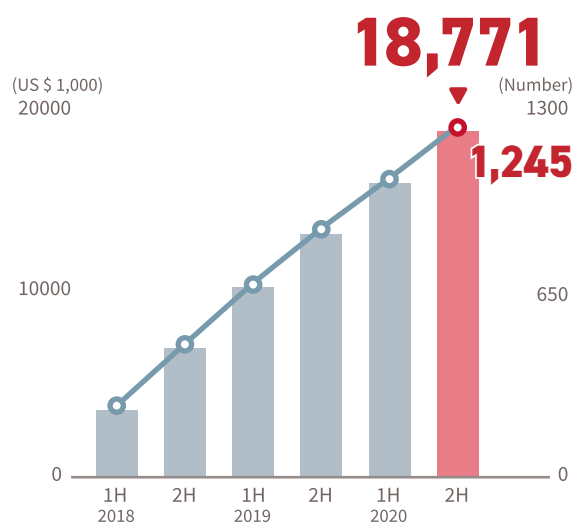
I believe that the current global economy has passed the worst of Covid-19 and is gradually recovering. However, other uncertain downside factors in the economy, such as climate change and geopolitical conflicts, are beginning to emerge and cannot be overlooked. JCF sees adversity situation as an opportunity for growth and carries out reforming the company, and at the same time, we will never forget the value of “always staying close to our customers, growing together, and sharing results”. I will greatly appreciate your continued guidance and support.

JCF by the Numbers

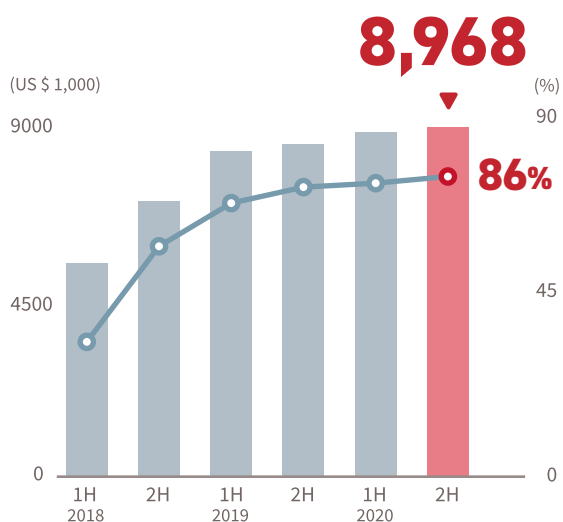
LOAN OUTSTANDING BALANCE



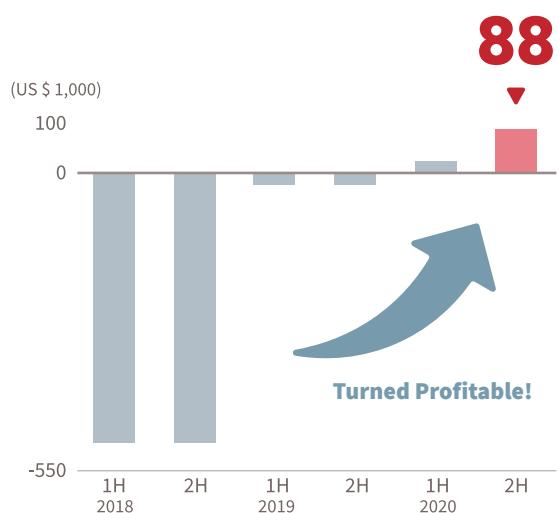
TOTAL CUSTOMER & DISBURSEMENT



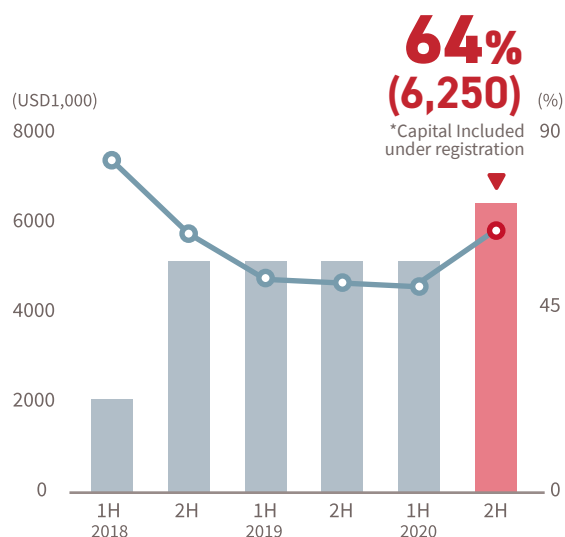
TOTAL ASSET & LOAN ASSET(%)



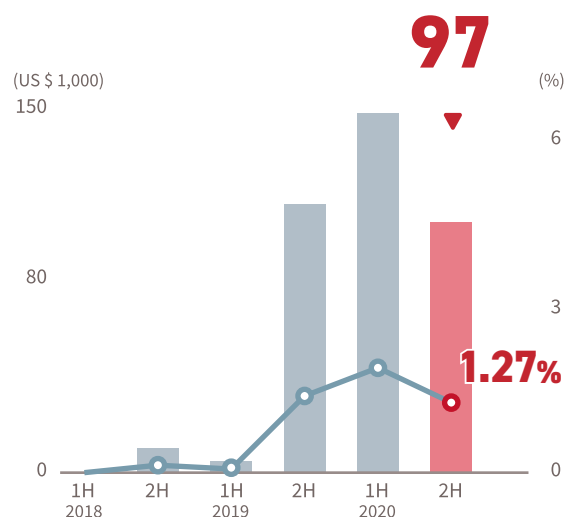
NET PROFIT



CAPITAL ADEQUACY RATIO



PAR90



CUSTOMER ATTRIBUTES

Average loan amount

USD 15,035



Gender



Female

4%



Male

96%

Construction Equipment

1%

Cash Loan

2%

COMBINE HARVESTER

19%

Purpose of the loan

78% TRACTOR

Type of Current business

Other Non-agri Business

53%

10% Other Agriculture

37% Paddy Farming

CAMPFIRE Owners



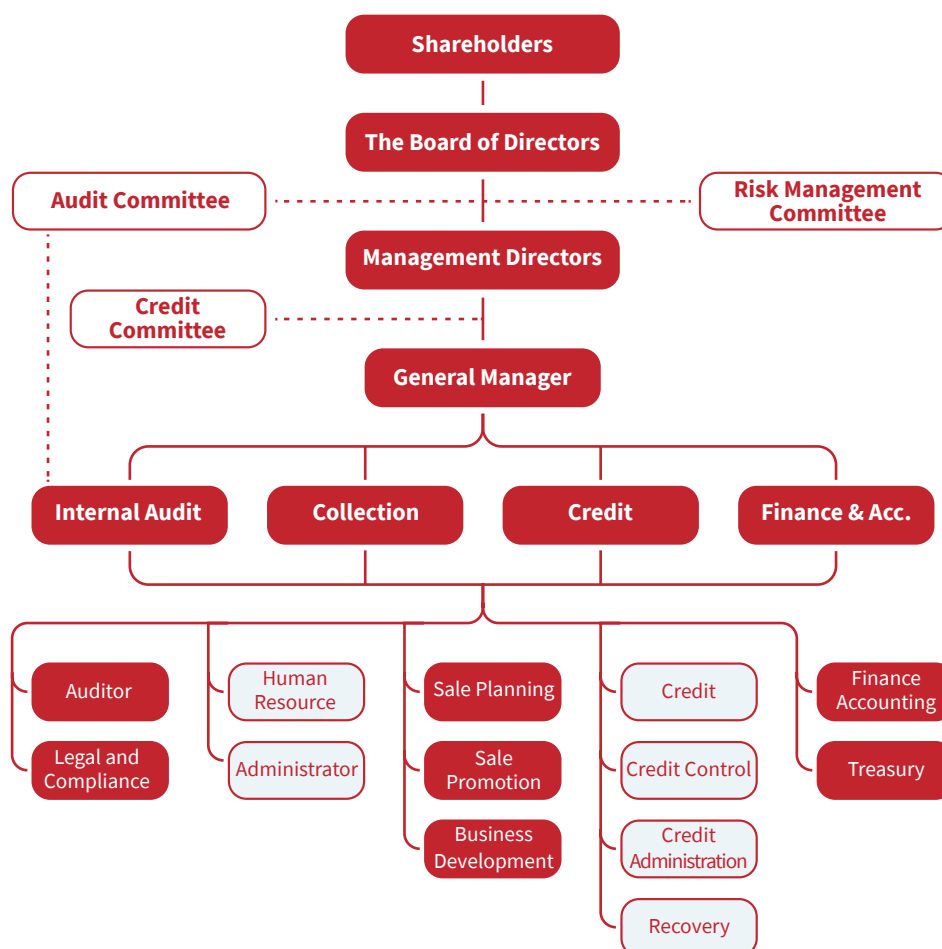
Total of
6
rounds

Total of
572
supporters

Total amount raised
USD 936,569
(JPY 100,850,000)

Our funding platform of Japanese agricultural cooperatives is supported by many conscious investors in Japan. As a result, we have raised a total of more than 100 million yen in FY2020.

Organization Chart



» Managers



Soriya Lus
Internal Auditor

I had taken in charge of accounting at first, currently, I am responsible for audit and internal control processes. My motto is "Respect yourself and others", and "Getting ready is the secret of success". I try to work in positive way every day for company and our future!



Vuthea Chea
Collection and Recovery Manager

I am in charge of collection department. I always try to embrace or embodies the value of hard work, dedication, and the importance of building strong relationships. I hope I am an important part of JCF, then I would give all to JCF to be successful in all business in the future.



YouYong Yong
Credit Manager

My responsibility is team building in credit department. We should study and update our knowledge to develop new product in order to get our business going forward. I am honored to work at JCF, which I believe is the best company that is invested by Japanese investors to develop Cambodian economy by building the income for our customers, farmers.



Kimpheak Long
Financial and Accounting Manager

My main responsibility is controlling and checking all daily transactions related to finance processes. My favorite word is "Working toward my goals inspires others around me to do the same and we will success together". I love to share my knowledge and experience with all JCF colleagues as well as helping them to succeed the goal together!!

» Corporate Governance

Independent Director

2020 was a year like no other. The global pandemic of Covid-19 struck the world with full force, and Cambodia was no exception to this worldwide crisis. The global economic downturn triggered by the pandemic has hit Cambodia's economy very hard.

The World Bank projected Cambodia's economic growth rate of -2% in 2020, the sharpest decline in Cambodia's recent history. In addition to Covid-19, severe drought throttled Cambodian farmers including the customers of JCF.

With this critical situation, JCF had to face the most serious challenges that it had ever experienced before.

In particular, dealing with delinquent loans was the most critical issue.

Since the establishment of JCF, it has developed effective credit evaluation procedures, so JCF had few delinquent loans in 2018 and 2019. On the other hand, the strategies and procedures for delinquent loans were not developed enough. Also, the training of loan officers were not enough to solve this problem.

Then, reflecting these external and internal situations, the number/amount of delinquent loans increased rapidly in the first half of 2020, and it put big pressure on profit of JCF.

However, JCF turned this hard situation into good opportunity and recorded its highest profit ever with improving its collection activities.

As an independent director and chair person of audit committee, the inadequate collection strategy had been my biggest concern. So I'm very happy to tell you that JC Finance overcome its weakness and transformed into stronger and more sustainable ever. We will continue to strive to maintain your support and trust.

**Independent Director
TANAKA Ai**

What we did to make better » For 2019

We have expanded the number of observers to include BOD experts, which has enabled us to have a broader perspective on the development of management strategies. With the addition of international expertise, we are confident that JCF's management and services will contribute more to the agricultural sector in Cambodia.

At the field level, we have made significant

improvements in PAR by developing a new debt collection manual and disseminating it to the field. We regard it as a remarkable achievement.

Specifically, the management team accompanied the debt collection operation first, in order to communicate more deeply with the field and to build up this framework.

We brought the understanding of the field

and management closer together and renewed the manual on debt collection, carried out by the Management Officer.

At the end of October, PAR had risen to 8.1%, partly due to Covid-19.

From November, measures taken resulted in a reduction of -1.68% at the end of November and -2.70% at the end of December.

What we will do to make better » For 2021

"In general, microfinance institutions value both the achievement of financial goals and social goals as a double bottom line. JCF has been aiming to become self-sustaining first and foremost, and thanks to the support of many people, we are one step closer to achieving our financial goals by achieving a single-year surplus in 2020. I would like to reaffirm that the Board of Directors and others will play an active

role in promoting and protecting the social mission of the MFI.

To this end, in addition to the existing customer protection code, we believe that the pandemic will continue to place a high demand on the protection of the health of our customers and employees.

We will take a deeper look at who our customers are and how our activities affect them, and reflect this in our services and

operations.

We will also continue to expand as we move towards a listing on the Cambodian Stock Exchange and towards achieving our sustainable goals for Cambodia.

Our governance will also evolve in strength, scope, frequency and appropriateness as we grow."

Reports of the Committees

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, an independent director, 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 2020, 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, an independent director. 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 2020, 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, director. 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 2020, 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.

Board of 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



泊 傑

TOMARI Suguru
Director, Chairperson

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.

December 2020

Appointed as Director, Chairperson 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

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.

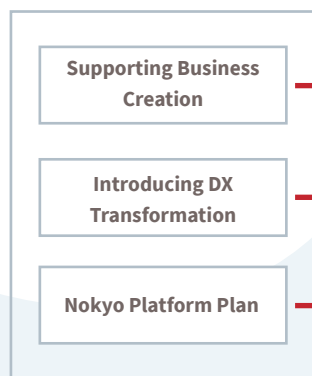
Business Strategy Overview

Our business mainly focuses on the primary industry, especially on the agricultural sector.

We have carried out our responsibility as a financial institution to enrich the lives of agricultural households, which account for 70% of the Cambodian population, by supporting their traditional farming business and new business model that can increase their incomes.

Our current three main business strategies are to realize “Supporting Business Creation” “DX/Credit Scoring” and “Agricultural Finance”. Since the establishment in January 2018, we have constantly updated our strategy by grasping changes in the natural environment, social environment, and technological environment. As a result, we are confident that our future strategy will be further refined and will have a significant social impact on our business areas.

▼ 2019 ANNUAL REPORT



EXPAND

CONNECTING

SUPPORT

▼ 2020 ANNUAL REPORT

1 | EXPLORING THE POTENTIAL OF PRIMARY INDUSTRY

Expanding the financing product from small agricultural machineries to bigger agricultural related facilities and fisheries

» We mainly support the rice farmers, but in the future, we will expand to other primary industries such as distribution businesses related to rice farming and fisheries.

2 | ESTABLISHING NEW CREDIT SCORING SYSTEM WITH DIGITAL TRANSFORMATION

Establishing credit scoring analyzed from the integration of static and dynamic information

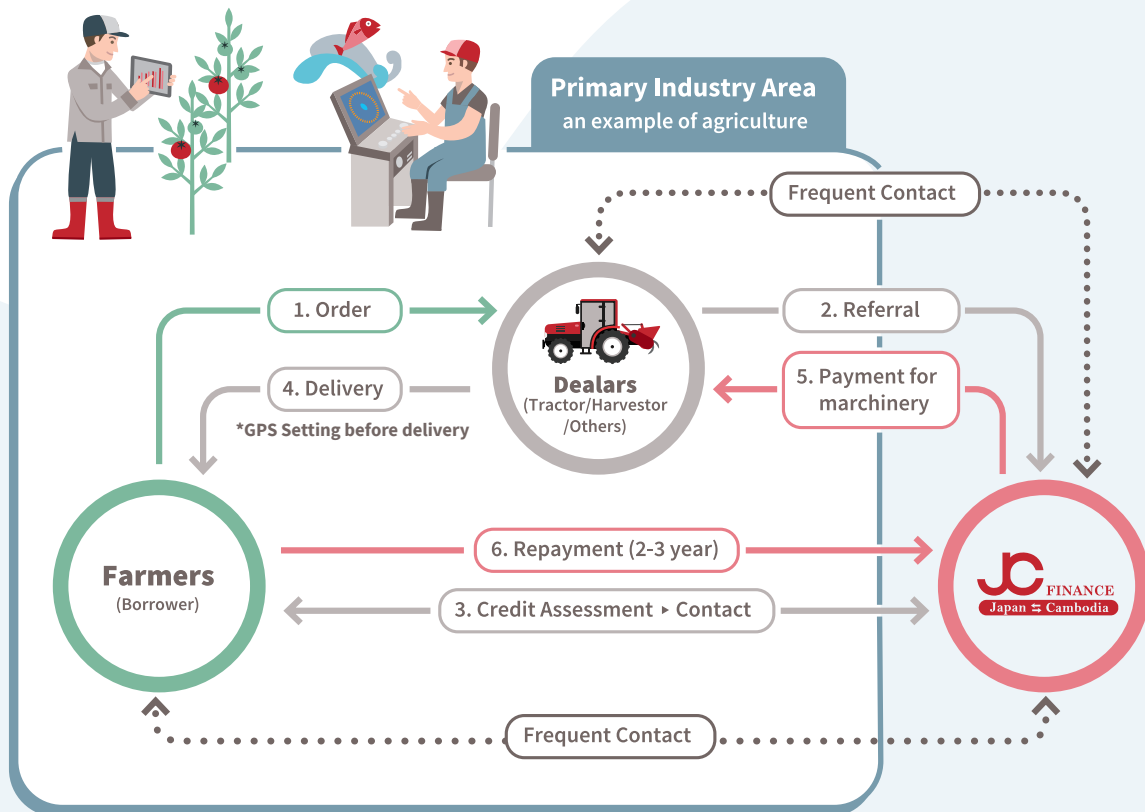
» We will utilize the dynamic data collected using GPS etc., as an important element of credit scoring that will be developed in the future to establish a new credit and settlement (payment) system.

3 | ELABORATING AGRICULTURAL FINANCE

Finance institution that supports Nokyo Platform in every sector

» As an important function of building a Nokyo Platform, we will promote collaborating with partner companies and establish a system that can supply funds to the various sectors in the agricultural field.

Exploring the Potential of Primary Industry



To date, we have provided financing for farm equipment rather than consumer goods. We are confident that by committing our funds to the business for economic growth, our customers are more likely to enrich their lives through economic reproduction. Our main customers, the farmers, obtain agricultural machinery such as combines and tractors through our financing and efficiently harvest the crops grown in their fields. In addition, they can undertake the farm work of other people's fields. By doing so, they are starting a new business and getting paid. In other words, this is "the agricultural machinery sharing" and the prototype of the

matching business among the farmers. This new use of agricultural machinery has triggered changes in Cambodia's main industries, agriculture, and primary industries and boosts economic growth.

We plan to roll out these usages of financed funds and successful cases to other sectors in the primary industry. In emerging countries, it is undeniable that there is a lack of technology and know-how of developed countries. It is the issue for the entire primary industry, including the fisheries and dairy. On the other hand, developed countries like Japan can solve their social issues,

such as the aging farming population and lack of successors, by exporting their know-how to emerging countries. By doing so, the intellectual property of humankind will be optimized ultimately, which is an essential point without even referring to the SDGs. Starting from agriculture, we will expand into neighboring sectors and evolve the credit know-how we have cultivated so far to create new business models together with our customers. We are convinced that this disruption in the primary industry will surely enhance the growth of the economy that was hit by Covid-19.

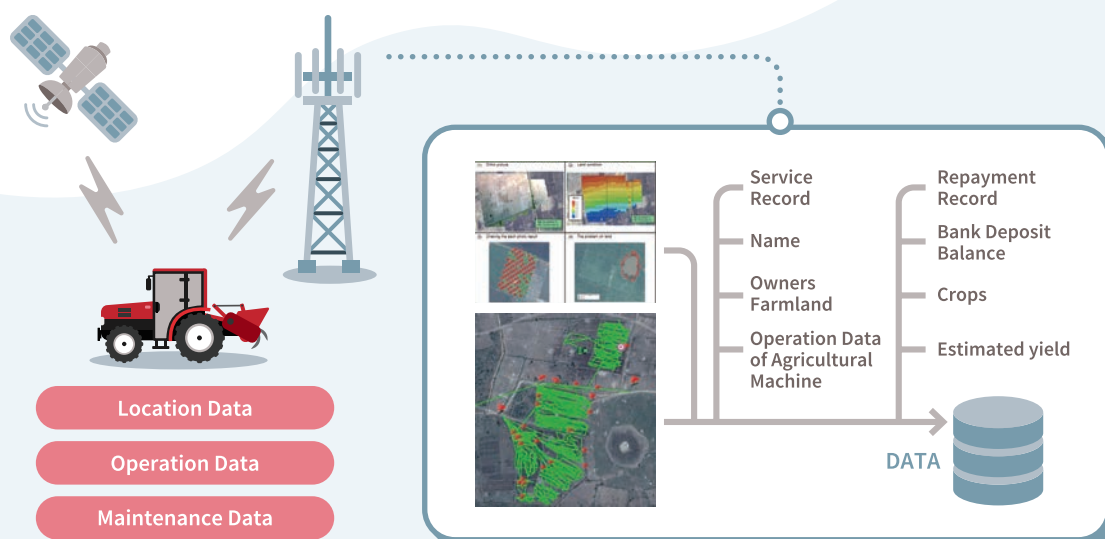
Establishing Borderless Credit Scoring System

We are actively integrating new technologies into the financial operation. There are two major operations in financial business: “credit” and “collection”. As the issue related to financial inclusion becomes an important topic, we have made financial transactions with the customers who were not previously covered by the conventional credit method by evaluating the information/data collected by utilizing a new digital technology. To be more specific, we re-evaluate the dynamic data collected from the financed agricultural (farming) equipment. We install a GPS into the financed agricultural (farming) equipment to capture and collect the data of the location and the use of the equipment at all times. As there is a

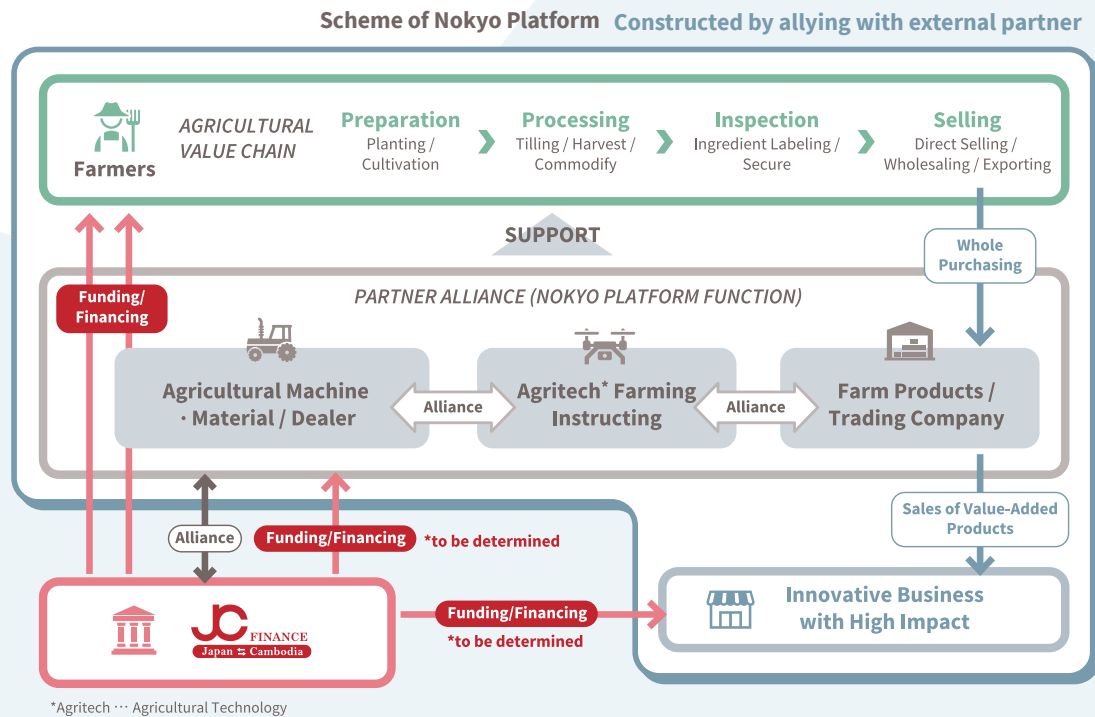
correlation between the mileage of the equipment and an increase in the customer’s income, the data is used as part of the guideline for credit monitoring and credit management. Also, to collect the equipment as collateral, rapidly and accurately, acquiring the location data of the equipment is critically important. In some cases, the GPS even stops the engine remotely, which can be an incentive for the customer to repay the loan and recover the collateral.

Henceforth, by combining this dynamic data with conventional static data (ID number, address, family structure, etc.), it will be possible to perceive the business opportunities considering the customers’ regional characteristics and

their future life events. In other words, this new credit scoring system gives great contributions to the customers’ Life Time Value (LTV). From a global perspective, it can be said that the flow of the people and the logistics do not remain within the border but are already borderless. A customer credited in Cambodia is earning income abroad to use it as a source of repayment is happening in reality. Credit and collection can no longer be evaluated in a conventional way. We are confident that establishing this new credit scoring system shall become the new trend in the financial industry in the near future.



JCF will be representing New Agricultural Finance



Japanese unique agricultural cooperative society called “Nokyo Platform” is the model when building our business strategies and its core concept of “Co-operatives” is registered as Intangible Cultural Heritage by UNESCO in 2016 due to its contribution to creative solutions to various social issues. We have set “Nokyo Platform” as one of the standards to achieve in the Cambodian primary industry and have been working on establishing the Cambodian version of “Nokyo Platform”. This platform has two functions to enhance the prosperity of the primary industry: a trading function that handles

agricultural products and machines and a financial function that handles providing finance in various stages of agricultural business. We aim to be part of the financial function that can comprehensively provide loans (funds/financing) to the entire value chain from production and wholesales to consumption. Currently, the main focus is on financing for the farming equipment on the producer side, the farmers. However, along with the development of the “Nokyo Platform”, it is our responsibility to expand our business to cover the whole agricultural value chain to help transform the current

“fragmented tenant farming” into “more sustainable industry”. In order to achieve this goal, the quantity and the quality of the alliances with external partners are important, and we will not limit ourselves to domestic players but actively support foreign players, including Japanese players, to network and help localize their activities. As a result, we are confident that we can increase our financing opportunities and it will become a stepping stone to handle more of the customers’ and partners’ financial assets in the future.

Sustainable Development Goals



TARGET 9 • 3

TARGET 9 • A

Approach to SDGs 2020

9th Goal

INDUSTRY, INNOVATION AND INFRASTRUCTURE

It's been four years since the world started working towards the Sustainable Development Goals. How has the world - and Cambodia - moved forward?

Cambodia has been ranked as the third country in the world that has seen the most improvement since the adoption of the SDGs.

On the other hand, there are still significant challenges to Goal 9, to which we at JCF are committed, and we are still below 50% of the required progress.

Activity and Progress in JCF

OUTPUT

Funding for financial platforms

» JCF provided a total of 5,502,970 USD of loans to 366 people in 2020FY.

Dissemination of agricultural technology in collaboration with Japanese agricultural support companies

» By providing financing for the purchase of various agricultural machineries from global leading manufacturers, JCF aims to increase the market penetration of high performance agricultural machinery and improve the work efficiency and income of Cambodian farmers. In addition, we recognize that this initiative is an economic activity that contributes to solving social issues such as "8. job satisfaction and economic growth" in the SDGs.

OUTCOME

Innovation in the agricultural sector Improved living standards

» Business innovation looks like a supernova explosion that happens out of nowhere, but we believe there is a tireless human efforts put in it. We have been working since 2018 to spread Finance x Agritech step by step in the Cambodian agricultural sector. This year, we have collected customer feedback as a first step to understand the outcome of our services and to rethink what "customer-centric" means.

On the challenge of Goal 8

"Since 2009, improvements in labor efficiency and a reduction in unemployment have been achieved worldwide, albeit with regional differences.

However, the global economy stagnated again in 2019 and is set to stagnate further in 2020 due to the Covid-19.

The Covid-19 has a particularly negative impact on those in the temp worker, self-employed, and day labor sectors of the global market.

JCF hopes to contribute to this goal through the dissemination of agricultural technology in partnership with Japanese agricultural support companies, and we look forward to taking this idea further in the coming year.

In addition to this issue, we also recognise from customer feedback that it is important to conserve the culture and bond of family, as well as economic growth. We believe that customer-centric management will contribute to the SDGs too.

Customer Survey

We had interviewed 10 customers in random selection. On average, they increased their income by USD 7,620. And we found some other positive impacts. However we also heard the voice that JCF should improve its services and business for customer's future.



(Name)	Mr. CHHUN VANNA	Mr. MAO SAMNANG
(Gender)	Male	Male
(Annual income approx.)	(after) USD 41,280 / (before) USD 24,000	(after) USD 9,000 / (before) USD 7,000
(Most recent loan amount)	USD 29,000	USD 9,000
(Agricultural land holdings)	0 acres	8 acres
(About business)	Tractor Service and Combine Service.	Paddy Farming, Cassava Farming, and Tractor Service
You and JCF ▶	<p>JCF's staff explained everything to me before we signed the contract, and even after the contract, she helped our business, which made us feel very comfortable. The only difficult moment was when the farm machine broke down. You know, we couldn't work at that time.</p>	<p>It was the first loan, I had ever taken in my life. However, I could see that it was a good option for the farmer, so I decided to take out the loan with JCF. Actually, I was really worried until the income coming in... Now I am confident and want to expand my business further. Especially I want to buy more farming land.</p>
You and business ▶	<p>I believe that the mechanization is good because it reduces the time spent working on the farm, it allows you to do other work in your spare time, and it is much cheaper than renting in the long term.</p>	<p>Now I have more income from tractor service businesses not only farming. On the other hand, I have less time to spend with my family, which I regret a little. Not only do I want to expand my farm, but I also want to build a house this year to make my family happy.</p>
Future of the farming business in Cambodia ▶	<p>The rural areas can be revitalised through agriculture, which will help people, including my families.</p>	<p>I don't know about the world, but I just do what I can, little by little from my country, Cambodia.</p>

Financial Statement Summary

We have completed three terms since the establishment in 2018. We would like to report that we were able to achieve profitability in FY2020 based on the CIFRS accounting standard. FY2020 was a year that was significantly influenced by the external factors, especially force majeure such as Covid-19 and the unprecedented flood. It goes without saying that this year caused great economic losses not only to our industry but to all other industries.

Under such a difficult environment, we thank for the support of all the stakeholders that newly established company like us was able to “turn profitable” as we have committed initially.

For FY2021, we aim to achieve the financial goals beyond FY2020 by greatly accumulating the loan balance that we could not achieve in FY2020 and further evolving the collection method we have established through Covid-19 situation.

We would like to thank our stakeholders again for FY2020 and please look forward to our further growth in FY2021.

Financial Statement Summary (BS)	31Dec2020 (USD)	31Dec2020 (KHR'000)	31Dec2019 (USD)	31Dec2019 (KHR'000)
ASSETS				
Balances with other banks	463,874	1,876,370	338,276	1,378,475
Balances with the NBC	702,107	2,840,023	622,757	2,537,735
Loans and advances to customers	7,686,419	31,091,565	7,453,685	30,373,766
Other assets	80,200	324,409	73,982	301,477
Property and equipment	5,444	22,021	16,741	68,220
Software	30,352	122,774	34,563	140,844
Total Assets	8,968,396	36,277,162	8,540,004	34,800,517
LIABILITIES AND SHAREHOLDER'S EQUITY				
Liabilities				
Income tax payable	1,096	4,433	1,202	4,898
Borrowings	3,126,426	12,646,393	4,037,180	16,451,509
Other liabilities	87,550	354,140	85,978	350,360
Total liabilities	3,215,072	13,004,966	4,124,360	16,806,768
Shareholder's Equity				
Share capital	2,000,000	8,000,000	2,000,000	8,000,000
Deposit for future capital injection	4,250,000	17,000,000	3,000,000	12,000,000
Regulatory reserve	69,804	281,957	71,840	290,254
Retained earnings	(566,480)	(2,288,355)	(656,196)	(2,654,122)
Cumulative differences on exchange translation	-	278,594	-	357,617
Total shareholder's equity	5,753,324	23,272,196	4,415,644	17,993,749
Total liabilities and shareholder's equity	8,968,396	36,277,162	8,540,004	34,800,517

Financial Statement Summary (PL)	2020 (USD)	2020 (KHR'000)	2019 (USD)	2019 (KHR'000)
Interest income	1,301,355	5,305,624	1,266,703	5,132,681
Interest Expense	(334,925)	(1,365,489)	364,141	(1,475,499)
Net interest income	966,430	3,940,135	902,562	3,657,182
Other operating income	60,244	245,614	35,941	145,633
Total operating income	1,026,674	4,185,749	938,503	3,802,815
General and administrative expenses	(821,621)	(3,349,749)	(901,947)	(3,654,690)
Provision for losses on loans and advances to customers	(103,529)	(422,088)	(43,905)	(177,903)
Income(Loss) before income tax	101,524	413,912	(7,349)	(29,778)
Income tax expense	(13,844)	(56,442)	(13,654)	(55,326)
Net income (loss) for this year	87,680	357,470	(21,003)	(85,104)
Difference on exchange translation	-	(79,023)	-	(252,405)
Net comprehensive income (loss) for the year	87,680	278,447	(21,003)	167,301



REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of JC FINANCE PLC ("the Company") presents its report and the Company's financial statements as at 31 December 2020 and for the year then ended.

THE COMPANY

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. On 26 March 2021, the Company's license has been renewed for another three-year period until 17 January 2024.

The principal activity of the Company is to provide financial services focusing 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.

FINANCIAL RESULTS

The financial performance of the Company is set out in the statement of comprehensive income.

PAID-UP CAPITAL

There were no movements in share capital of the Company during the year.

DIVIDENDS

No dividends were declared during the year.

RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL LOANS AND ADVANCES TO CUSTOMERS

Before the financial statements of the Company were drawn up, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and the making of provisions for bad and doubtful loans and satisfied themselves that all known bad loans had been written off and that adequate provisions had been made for bad and doubtful loans.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad loans or the amount of the provision for bad and doubtful loans in the financial statements of the Company inadequate to any material extent.

JC FINANCE PLC.

REPORT OF THE BOARD OF DIRECTORS (continued)

ASSETS

Before the financial statements of the Company were drawn up, the directors took reasonable steps to ascertain that any current assets, other than loans, which were unlikely to be realized 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 which they might be expected to realize.

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

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Company misleading or inappropriate in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- No charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- No contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of business.

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 Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they become due.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred after the balance sheet date requiring disclosure or adjustment other than those already disclosed in the accompanying notes to 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:

Mr. Tomari Suguru	Chairman (appointed on 9 December 2020)
Mr. Kikuchi Ikuo	Director
Ms. Tanaka Ai	Independent Director
Ms. Kato Yuko	Independent Director
Ms. Nishiguchi Yuko	Director (resigned on 2 June 2020)

AUDITOR

Ernst & Young (Cambodia) Ltd is the auditor of the Company.

DIRECTORS' INTERESTS

No members of the Board of Directors hold any interest in the equity of the Company.

JC FINANCE PLC.

REPORT OF THE BOARD OF DIRECTORS (continued)

DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed, to which the Company was a party, whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body.

No director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or with a firm in which the director is a member, or with a company which the director has a material financial interest other than those disclosed in the financial statements.

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended. The Board of Directors oversees preparation of these financial statements by management who is required to:

- Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- Comply with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities ("CIFRS for SMEs"), or if there has been any departure in the interest of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- Maintain adequate accounting records and an effective system of internal controls;
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- Set overall policies for the Company, ratify all decisions and actions that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the financial statements.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the applicable accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of 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.

On behalf of the Board of Directors


Kikuchi Ikuro
Director



Phnom Penh, Kingdom of Cambodia

5 May 2021

Reference: 61380617-22215138

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 2020, 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 2020, 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 Prakas on the Code of Ethics for Professional Accountants and Auditors issued by the Royal Government of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with its 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

5 May 2021

JC FINANCE PLC.

STATEMENT OF FINANCIAL POSITION as at 31 December 2020

	Notes	2020		2019	
		US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
ASSETS					
Balances with other banks	5	463,874	1,876,370	338,276	1,378,475
Balances with the National Bank of Cambodia	6	702,107	2,840,023	622,757	2,537,735
Loans and advances to customers	7	7,686,419	31,091,565	7,453,685	30,373,766
Other assets	8	80,200	324,409	73,982	301,477
Property and equipment	9	5,444	22,021	16,741	68,220
Software	10	30,352	122,774	34,563	140,844
TOTAL ASSETS		8,968,396	36,277,162	8,540,004	34,800,517
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Income tax payable	20.2	1,096	4,433	1,202	4,899
Borrowings	11	3,126,426	12,646,393	4,037,180	16,451,509
Other liabilities	12	87,550	354,140	85,978	350,360
Total liabilities		3,215,072	13,004,966	4,124,360	16,806,768
SHAREHOLDERS' EQUITY					
Share capital	13	2,000,000	8,000,000	2,000,000	8,000,000
Deposits for future capital subscription	14	4,250,000	17,000,000	3,000,000	12,000,000
Regulatory reserve	15	69,804	281,957	71,840	290,254
Accumulated losses		(566,480)	(2,288,355)	(656,196)	(2,654,122)
Cumulative differences on exchange translation		-	278,594	-	357,617
Total shareholders' equity		5,753,324	23,272,196	4,415,644	17,993,749
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,968,396	36,277,162	8,540,004	34,800,517

The attached notes 1 to 23 form part of these financial statements.

JC FINANCE PLC

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2020

	Notes	2020		2019	
		US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Operating income					
Interest income	16	1,301,355	5,305,624	1,266,703	5,132,681
Interest expense	17	(334,925)	(1,365,489)	(364,141)	(1,475,499)
Net interest income		966,430	3,940,135	902,562	3,657,182
Other operating income	18	60,244	245,614	35,941	145,633
Total operating income		1,026,674	4,185,749	938,503	3,802,815
General and administrative expenses	19	(821,621)	(3,349,749)	(901,947)	(3,654,690)
Provision for losses on loans and advances to customers	7	(103,529)	(422,088)	(43,905)	(177,903)
Income (loss) before income tax		101,524	413,912	(7,349)	(29,778)
Income tax expense	20	(13,844)	(56,442)	(13,654)	(55,326)
Net income (loss) for the year		87,680	357,470	(21,003)	(85,104)
<i>Other comprehensive income item:</i>					
Difference on exchange translation		-	(79,023)	-	252,405
Net comprehensive income (loss) for the year		87,680	278,447	(21,003)	167,301

The attached notes 1 to 23 form part of these financial statements

JC FINANCE PLC

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2020

	Share capital	Deposits for future capital subscription	Accumulated losses	Regulatory reserve	Cumulative differences on exchange translation	Total
	US\$	US\$	US\$	US\$	KHR'000	US\$
As at 1 January 2020	2,000,000	3,000,000	(656,196)	71,840	357,617	4,415,644
Net income for the year	-	-	87,680	-	-	87,680
Additional deposits for future capital subscription	-	1,250,000	-	-	-	1,250,000
Transfer to regulatory reserve	-	-	2,036	(2,036)	-	-
Difference on exchange translation	-	-	-	-	(79,023)	-
As at 31 December 2020	2,000,000	4,250,000	(566,480)	69,804		5,753,324
KHR'000 equivalent (Note 2)	8,000,000	17,000,000	(2,288,355)	281,957	278,594	23,272,196
As at 1 January 2019	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

The attached notes 1 to 23 form part of these financial statements.

JC FINANCE PLC

STATEMENT OF CASH FLOWS for the year ended 31 December 2020

	Notes	2020		2019	
		US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
OPERATING ACTIVITIES					
Profit (loss) before income tax		101,524	413,912	(7,349)	(29,778)
<i>Adjustments for:</i>					
Depreciation and amortization	20	6,822	27,813	6,703	27,161
Amortization of borrowing fee	12	1,931	7,873	4,982	20,187
Interest expense	18	334,925	1,365,489	364,141	1,475,499
Gain on disposal of property and equipment		(314)	(1,280)	-	-
Interest paid		(352,204)	(1,435,936)	(325,622)	(1,319,420)
Income tax paid	11.2	(13,950)	(56,874)	(13,460)	(54,538)
Operating profit before movements in operating assets and liabilities		78,734	320,997	29,395	119,111
<i>Movements in operating assets and liabilities:</i>					
Time deposit		200,000	815,400	-	-
Loans and advances to customers	7	(232,734)	(948,857)	(1,525,932)	(6,183,076)
Other assets	8	(6,218)	(25,351)	(27,855)	(112,868)
Other liabilities	13	1,572	6,409	27,782	112,573
Net cash provided by (used in) operating activities		41,354	168,598	(1,496,610)	(6,064,260)
INVESTING ACTIVITIES					
Acquisition of property and equipment	9	-	-	(5,962)	(24,158)
Disposal of property and equipment		9,000	36,693	-	-
Net cash provided by (used in) investing activities		9,000	36,693	(5,962)	(24,158)
FINANCING ACTIVITIES					
Proceeds from borrowings		2,617,704	10,672,379	3,750,578	15,197,342
Repayment of borrowings		(3,513,110)	(14,322,949)	(2,303,389)	(9,333,332)
Deposits for future capital subscription		1,250,000	5,096,250	-	-
Net cash provided by financing activities		354,594	1,445,680	1,447,189	5,864,010
Net increase (decrease) in cash and cash equivalents		404,948	1,650,972	(55,383)	(224,408)
Cash and cash equivalents at beginning of year	4	661,033	2,693,710	716,416	2,878,560
Difference on exchange translation		-	(32,789)	-	39,558
Cash and cash equivalents at end of year		1,065,981	4,311,893	661,033	2,693,710

The attached notes 1 to 23 form part of these financial statements.

JC Finance Plc.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2020 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. On 26 March 2021, the Company's license has been renewed for another three-year period until 17 January 2024.

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 2020, the Company had a total of 40 employees (2019: 49 employees).

Approval of the financial statements

The financial statements were authorized for issue by the Board of Directors ("BoD") on 5 May 2021.

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 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.

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:

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

Fiscal year

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

JC Finance Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

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 balances with other banks, current account with the NBC, 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").

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.

JC Finance Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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.

JC Finance Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

JC Finance Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Regulatory reserve (continued)

<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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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.

JC Finance Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

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 12.

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 21.1).

JC Finance Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

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.

JC Finance Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

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 Profile



Company Name	JC FINANCE PLC.
Business Category	Microfinance Institution
Licene Number	M.F-85
Establishment	January 17th, 2018
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