ក្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ និរន្តរ៍ ភីអិលស៊ី

NIRON MICROFINANCE PLC.

ANNUAL REPORT 2020

Content

Milestones of NIRON Microfinance Plc.	1
Operational Network	4
Vision and Mission	5
Financial Summary	6
Operational Summary	7
Cambodia Key Economic Indicators	8
Chairman and CEO's Impression	9
Organizational Hierarchy	11
Board of Directors	12
Executive Managements	14
Director's Report	17
Report of the Independent Auditor	21
Statement of financial position	24
Statement of Comprehensive Income	25
Statement of Changes in Equity	26
Statement of Cash Flow	28
Notes to the Financial Statements	29

Welcome to

NIRON MICROFINANCE PLC.

Head Office

#21-23-25, St.598, Sangkat Phnom Penh Thmey, Khan Sen Sok,

Phnom Penh, Cambodia.

Tel: 086 655 999,

Email: info@niron.com.kh, Website : www.niron.com.kh





MILESTONES OF NIRON

Niron Microfinance Plc. is an officially licensed as a microfinance institution on February 12, 2014 by the National Bank of Cambodia. As of December 31, 2020, Niron Microfinance Plc. has 11 offices in each District-Province-City-Capital (Head office 01 and 10 branch) and have employees 200. As of December 31, 2020, Niron Microfinance Plc. has Customers 5.398 and total loan outstanding more than 1,54 Million USD with low credit risk (PAR) levels.

Branch of the institution

11 branches nationwide

Number of employees

200

Number of customer

5.398

Amounts loan outstanding

1,54 Million USD

MILESTONES OF NIRON MICROFINANCE

2008

First established and operated as NIRON Agency Development Economics Community (NIRON ADEC) on 08/08/2018

2009

Registered as Cambodian non-governmental organization (NGO) under the Association and NGO Law from the Ministry of Interior.

2013

First Transformed to NIRON MIKROHERANHVATHO PLC., which is a public limited company, licensed by the National Bank of Cambodia.

2015

Merged with one local NGO and changed its name to NIRON Microfinance Plc.

2016

Operational network extends to 55 branches and 1,018 employees across 24 provinces and cities in the Kingdom of Cambodia.

2018

Some of the branches closed to reduce inefficient operational network and to sustain the financial performance.

2019

This year, The Operational of branch NIRON MIKROHERANHVATHO PLC. has grew compared to the plan laid out, The ability to

2020

In a situation where the economy of the country is affected by the outbreak of Covid-19, the institution has set out various measures and strategies to take action in this situation.



OPERATIONAL NETWORK

As of December 31, 2020, there are 11 branches nationwide as follows:

No	Branch Name	Address
1	HEAD OFFICE	No. 21, 23, 25, Street 598, Sangkat Phnom Penh Thmei, Khan Sensok, Phnom Penh
2	PREAH SIHANOUK BRANCH	No. 322, Street Omuy, Phum 5, Sangkat 4, Krong Preah Sihanouk, Preah Sihanouk Province.
3	PREY NOB BRANCH	Samrong Kraom Village, Samrong Commune, Prey Nob District, Preah Sihanouk Province.
4	SRAE AMBEL BRANCH	Trapeang Village, Srae Ambel Commune, Srae Ambel District, Koh Kong Province.
5	BOTUM SAKOR BRANCH	Thma Sa Village, Thma Sa Commune, Botum Sakor District, Koh Kong Province.
6	KHSACH KANDAL BRANCH	Knong Village, Preaek Ta Meak Commune, Khsach kandal District, Kandal province.
7	SREY SANTHOR BRANCH	Santey Village, Preaek Pou Commune, Srey Santhor District, Kampong Cham Province.
8	KAMPONG SPEU BRANCH	National Road 4, Mukh khett Village, Sangkat Rokar Thum, Krong Chbar Mon, Kampong Speu Province.
9	SIEM REAP BRANCH	Komai Street, Trapeang Ses Village,Sankat Kok Chak, Krong Siemreap, Siemreap Province.
10	ANLONG VENG BRANCH	Street 67, Thnal Kaeng Village, Anlong Veng Commune, Anlong Veng District, Oddar Meanchey Province.
11	SONOKUM BRANCH	Doun Hong Village, Dam Daek Commune, Sout Nikom District, Siemreap Province.



VISION AND MISSION

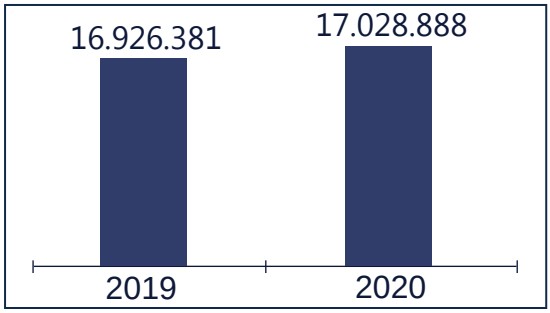
VISION

NIRON MICROFINANCE INSTITUTION PLC. Will be the comprehensive and virtuous financial services provider .

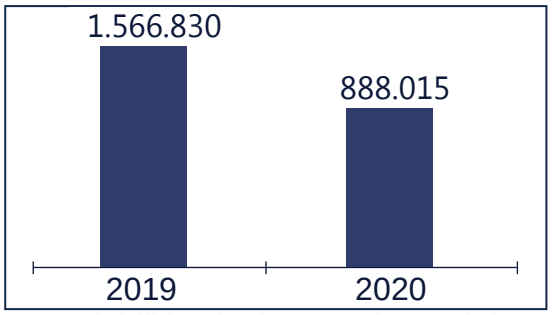
MISSION

NIRON MICROFINANCE INSTITUTION PLC. Is the institution that provides a wide range of financial services to the people. By focusing on the priority: Provide customers with easy access to financial services; Establish intimacy and be a good partner to progress together; Build the capacity of staff, expand the network of operations, along with the development of modern products and technologies, adhering to the principles of law, ethics, environment and social affairs.

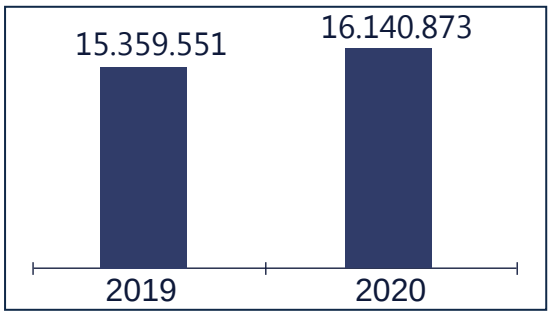
FINANCIAL SUMMARY



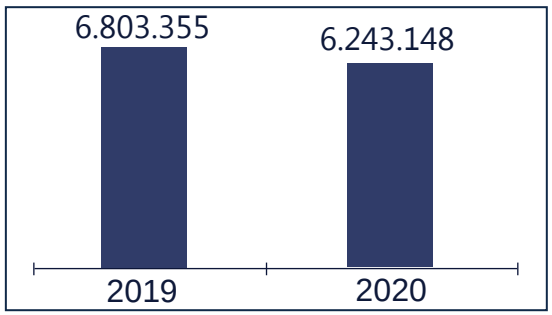
1. Assets in thousands of Riels



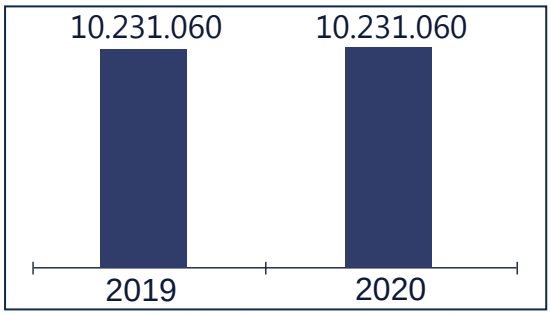
2. Liabilities in thousands of Riels



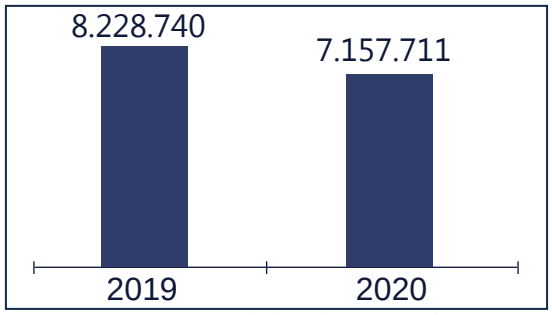
3. Equity in thousands of Riels



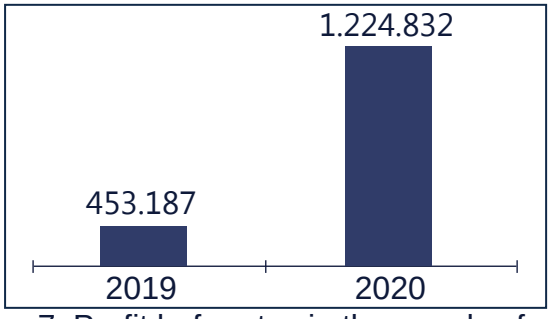
4. Gross Loan in thousands of Riels



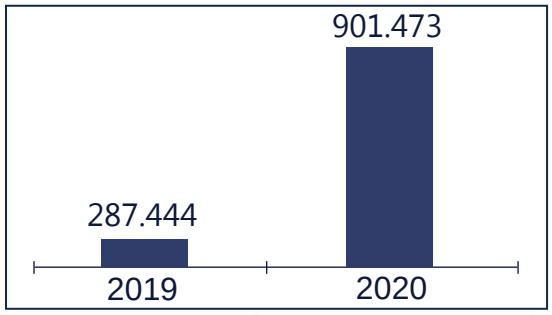
5. Capital in thousands of Riels



6. Gross Profit in thousands of



7. Profit before tax in thousands of



8. Profit after tax in thousands of Riels



OPERATIONAL SUMMARY

	December 31, 2020
Number of offices	11
Number of staff	200
Male	161
Female	39
CO per total staff members	40,50%
Number of clients	5.398
Loan outstanding (in USD)	1.543.423
Number of active clients per CO	67
Loan outstanding per CO (in USD)	19.055
Loan outstanding per client (in USD)	286

CAMBODIA KEY ECONOMIC INDICATORS

		2016	2017	2018	2019	2020e	2021f
1. Gross Domestic Product (GDP)							
	GDP% change	7	7	7.5	7.1	-1.9	3.5
	Per capita GDP (in USD)	1,302	1,427	1,563	1,700	1,683	1,771
2. Inflation							
	Inflation (annual average)	3	2.9	2.5	1.9	2.9	3.1
	Inflation (end year)	3.9	2.2	1.6	3.1	2.9	-
3. Government Budget (in % of GDP)							
	Revenue	18.9	20.2	22.3	25.3	23.8	18.2
	Expenditure	22	23.5	24.6	26.1	30.1	27.1
4. Money and Credit (% change)							
	M2	21	23.1	26.6	18.2	15.3	-
	Total deposits in the banking system	21.8	25.1	27.9	15.1	18	-
	Total loan outstanding in the banking system	20.5	17.2	24.3	23.9	23.4	-
	Loan as % of deposit	100.6	95.3	92.2	99	103.5	-
	Private sector credit	22.5	18.5	20.1	26.3	-	-
	Deposits to GDP	68.4	85.6	91.1	93.3	110.2	-
	Loans to GDP	68.8	80.7	83.5	92	114	-
5. Balance of Payment (in Million USD)							
	Exports	9,595	10,777	11,214	14,530	16,000	-
	Imports	12,070	13,019	13,771	22,190	16,000	-
	Trade balance	-2,475	-2,242	-2,557	-7,660	-	-
	Current account (excluding official transfers)	-2,312.5	-2,140.5	-2,180.1	-2,703.9	-2,703.9	-3,814.1
	Nominal account	19.86	22.16	24.61	27.13	27.22	29.01
	Exchange rate (riel per dollar end period)	4,056	4,045	4,037	4,055	4,065	4,065



Mr. CHHUN SREA | Chairman of the Boards

MESSAGE FROM THE CHAIRMAN

The past year 2020 the global economy being severely affected by Covid-19 including Cambodia. This case make some customer have problem with their profit, the National Bank of Cambodia requires “Restructure Loan” to customer that have problem. All thought Covid-19 poses a threat to economic growth, Niron Microfinance Plc. took appropriate measures timely and effectively in response the challenges. This year 2020 showed the following Achievements:

- ROE : 5,59%
- ROA : 5,29%
- Loan Outstanding : USD 1.543.423

Although, in 2020, we could not achieve our plan 100%, our financial performance shows our suitability of strategy, attractiveness of our products and services, our hard work and Collaboration in the team work as well.

Financial Goals

Net Income

422.600 USD

Loan Outstanding

1.810.000 USD

NPL Ratio

3,89%

WO.Collection

32.200 USD

Key Strategies

01 Shift the strategic plan from credit quantity to profit

02 Promote profit generating strategy by inspiring

03 Encourage the collection of bad debts in the list

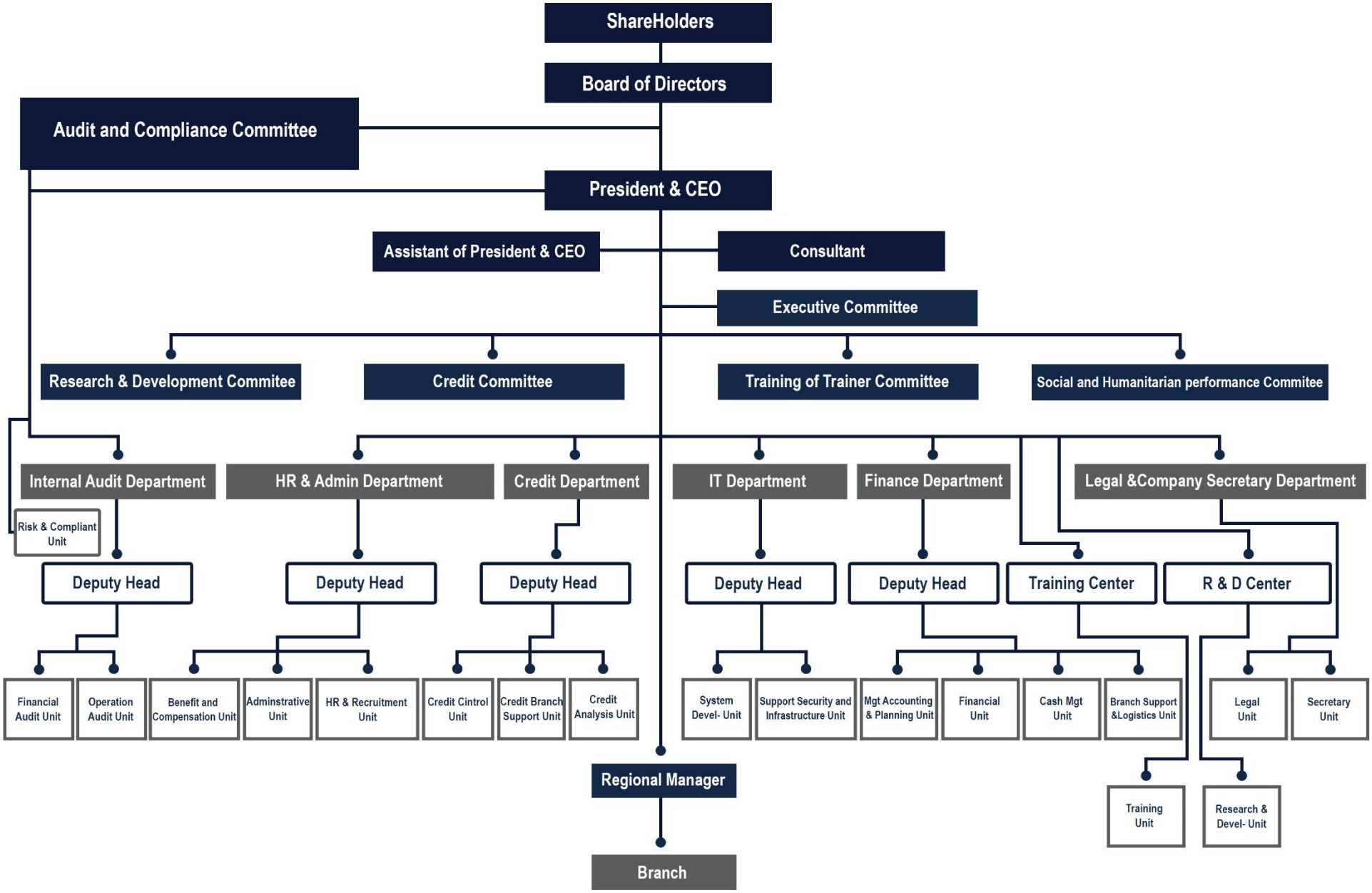
04 Further strengthen and improve the performance of credit department

05 Continuously look for investment opportunities

On behalf the Board of Directors, I would like to express my sincere thanks to the Royal Government, the National Bank of Cambodia, authorities at all levels, customers, employees at all levels, the board of directors and shareholders for their physical and spiritual supports and full cooperation from the very beginning, having thus far made a great success and continued progress for NIRON Microfinance Plc.

Finally, I would like to wish Samdach, His Excellency, Lok Chumteav, Lok Oknha, ladies and gentlemen, and NIRON Microfinance Plc. employees at all levels the four gems of Buddhist blessing: Longevity, Nobility, Health and Strength.

ORGANIZATIONAL HIERARCHY



BOARD OF DIRECTORS



MR. CHHUN SREA

Chairman

CHHUN SREA Chairman

Cambodian national, born in 1953, he has attended many courses in business management. At the moment, he is part of top management in one Gasoline company. Before selected as a Chairman of the board ,He is one of NIRON's founders and has been as a board member since its operation in 2013.

CHHUN SINA Board Member

Cambodian national, born in 1983, he obtained a Master of General Management from Build Bright University in 2011. He has also attended various courses in microfinance management. He is one of NIRON's founders since its operation in 2013. Before selected as a board member and President &Chief Financial Officer, he worked in various positions such as Credit Officer, Accountant and Head of Finance Department and Chief Financial Officer.



MR. CHHUN SINA

Board Member

CHHUN VANAL Board Member

Cambodian national, born in 1986, he obtained a Bachelor degree of Accounting. She has attended various courses in microfinance management. He was appointed Board member is 2020. Before he as a Board member, he worked in various positions such as . Trader (Fuel business & Mart), Shareholder of Niron Microfinance PLC.



MS. CHHUN VANAL

Board Member



MR. NUT SAMART

Board Member

NUT SAMART Board Member

Cambodian national, born in 1983, he obtained a Association of Chartered Accountants in 2010. He has attended various courses in microfinance management. He was appointed Independent Board member is 2020. Before he as a Independent Board member, he worked in various positions such as Executive Assistant at ACLEDA Bank, Independent Board at TROP KHNHOM Microfinance and PCG & Partner Company.

EXECUTIVE MANAGEMENT



Mr. CHHUN SINA President & Chief Executive Officer

Cambodian national, born in 1983, he obtained a Master of General Management from Build Bright University in 2011. He has also attended various courses in microfinance management. He is one of NIRON's founders since its operation in 2013. Before selected as a board member and President &Chief Financial Officer, he worked in various positions such as Credit Officer, Accountant and Head of Finance Department and Chief Financial Officer.



Mr. KEATH VIRAK

Head of Compliance

Cambodian national, born in 1982, he obtained a Master of General Management from Build Bright University in 2008. He has attended various courses in microfinance management. He was appointed Head of Compliance. Before joining NIRON, he had many years of experience as a doer and manager in Administration Work at ACLEDA Bank Plc.



Mr. MEAS VANDETH

Head of Information Technology Department

Cambodian national, born in 1974, he obtained a Master of Information Technology from the Royal University of Phnom Penh in 2007. He has attended various courses in microfinance management. Besides working at NIRON, he is also a part-time lecturer of Information Technology at the Royal University of Phnom Penh.



Mr. PHEA CHANPISETH

Head of Credit Department

Cambodian national, born in 1984, he obtained a Master of Business Administration from National Institute of Management in 2013. He first joined NIRON in 2015 as Deputy Head of Credit Department and he was appointed as Head of Credit Department in 2017. Before joining NIRON, he had 8 years of experience in the credit sector from bank and MFI.



Mr. Leng Leak

Head of Finance Department

Cambodian national, born in 1982, he obtained a Master of Finance and Banking from Norton University in 2015. Currently he is pursuing ACCA at CamEd Business School. He has attended various courses in auditing and microfinance management. He was appointed Head of Finance Department. Before joining NIRON, he had many years of experience in the management of Internal Audit Work at ACLEDA Bank Plc.



Mr. BY VICHET

Head of Human Resources Department

Cambodian national, born in 1988, he obtained a Master of Business Administration ,Specialized in Business from Asian Euro University , 2012. He has attended several training courses such as leadership, marketing, people management. He joined NIRON in 2019 as Head of Human Resources Department. Before joining NIRON, He had many years of experience in the management of People Partner at L.E.D.A Capital Plc.



Mr. CHHAN THIRAKK

Head of Internal Audit Department

Cambodian national, born in 1987, he obtained a Master of Business Administration From Norton University in 2013. He has attended various courses in auditing and microfinance management. He was appointed Head of Internal Audit Department is 2020. Before he as a Head of Internal Audit Department, he worked in various positions such as Internal Auditor, Specialist Operational Audit, Senior Financial Audit, and Manager of Financial Audit Unit.



FINANCIAL STATEEMENTS

AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2020

Report of the Board of Directors

The Board of Directors (the "Board" or "Directors") have pleasure in submitting their report together with the audited financial statements of Niron Microfinance Plc. ("the Company") for the year ended 31 December 2020 (the "financial year" or "year").

Principal activities

The principal business activities of the Company are to provide credit service and other financial services to individual customers in the Kingdom of Cambodia. There have been no significant changes in the nature of principal activities during the financial year.

Financial performance

The financial performance of the Company was as follows:

	2020		2019 (As restated)	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Profit before income tax	300,425	1,224,832	111,843	453,187
Income tax expense	(79,313)	(323,359)	(40,904)	(165,743)
Net profit for the year	221,112	901,473	70,939	287,444

Dividends

No dividend was declared or paid and the Directors do not recommend any dividend to be paid during the financial year.

Share capital

The paid-up capital of the Company as at 31 December 2020 is US$2,557,765 (2019: US$2,557,765) with a par value US$1 per share. Refer to Note 12 for the detailed Company's share capital and shareholding structure.

Reserves and provisions

There were no material transfers to or from reserves and provision during the financial year other than amount as disclosed in the financial statements.

Bad and doubtful debts

Before the financial statements of the Company were prepared, Directors took reasonable steps to ascertain that action has been taken in relation to the write off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that there were no known bad debts and that allowance need not be made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render it necessary to write off bad debts or to make allowance for doubtful debts in the financial statements of the Company, inadequate to any material extent.

Current assets

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

At the date of this report, the Directors are not aware of any circumstances that have arisen the value attributed to the current assets in the financial statements of the Company misleading.

Valuation methods

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

Contingent liabilities

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

(i) Any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or

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

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable, within the period of 12 months after the end of the financial period which, in the opinion of the Directors, will or may substantially affect the liability of the Company to meet its obligations when they fall due.

Changes of circumstances

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

Items of an unusual nature

The results of the operations of the Company for the financial year were not, in the opinion of the Directors, materially affected by any items, transactions or event of material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of material and unusual nature likely, in the opinion of the Directors, to effect substantially the results of the operations of the Company for the current year in which this report is made.

Events since the reporting date

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

The Board of Directors

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

Mr. Chhun Srea	Chairman (Appointed on 10 September 2020)
Mr. Lay Kimchhen	Chairman (Resigned on 10 September 2020)
Mr. Chhun Sina	Director
Ms. Chhun Vannal	Director (Appointed on 28 December 2020)
Mr. Nut Sam Art	Independent Director (Appointed on 28 December 2020)

Directors' interests

The Directors' interest are disclosed in Note 12 of the financial statements.

Directors' benefits

During and at the end of the financial year, no arrangement subsisted to which the Company is a party with the object of enabling Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Directors of the Company have received or become entitled to receive benefit (other than benefit included in the aggregate amount of emoluments received or due and receivable by Directors) by reason of a contract made by the Company with the Directors or firm of which the director is member, or a Company in which the Directors has a substantial financial interest, other than as disclosed in the financial statements.

Statements of Directors' responsibility in respect of financial statements

The Board of Directors is responsible to ascertain that the financial statements are presented fairly, in all material respects, the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs"). In preparing those financial statements, the Board of Directors is required to:

(i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;

(ii) comply with CIFRS for SMEs, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

(iii) oversee the Company's financial reporting process and maintain adequate accounting records and effective system of internal control;

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

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

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

Approval of the financial statements

I, the undersigned, hereby approve the accompanying financial statements as set out on pages 24 to 56 which present fairly, in all material respects, the financial position of Niron Microfinance Plc. as at 31 December 2020, and its financial performance and its cash flows for the year then ended, in accordance with CIFRS for SMEs.

Signed in accordance with a resolution of the Board of Directors.



Mr. Chhun Sina
Director

Phnom Penh, Kingdom of Cambodia
26 April 2021

Report of the Independent Auditors
To the shareholders
Niron Microfinance Plc.

Opinion

We have audited the financial statements of Niron Microfinance Plc. ("the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 24 to 56.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in 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.

Emphasis of Matter - comparative information

We draw attention to Note 22 to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2019 has been restated. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 8 May 2020.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the information included in the Report of the Board of Directors as set out on pages 17 to 20, and the annual report, which is expected to be made available to us after that date.

Other Information (continued)

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 on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements 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 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 reporting process.

Auditors' Responsibility 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 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.

Auditors' Responsibility for the Audit of the Financial Statements (continued)

- 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 effective 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 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' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit 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 date of our auditor's report. However, future events or condition 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 disclosure, 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.

For **Fii&Associates Co., Ltd.**



Heng Seida
Managing Partner

Phnom Penh, Kingdom of Cambodia
26 April 2021

Statement of financial position
As at 31 December 2020

	Note	2020 US$	2020 KHR'000 (Note 2.4)	2019 (As restated) US$	2019 (As restated) KHR'000 (Note 2.4)
Assets					
Cash on hand	4	48,059	194,399	60,033	244,634
Deposits and placements with the NBC	5	138,194	558,995	137,429	560,023
Deposits and placements with banks	6	2,404,853	9,727,630	2,015,354	8,212,568
Loans to customers	7	1,374,174	5,558,534	1,607,759	6,551,618
Other assets	8	160,218	648,082	243,796	993,469
Property and equipment	9	77,984	315,445	77,749	316,827
Deferred tax assets-net	11.1	6,379	25,803	11,593	47,242
Total assets		4,209,861	17,028,888	4,153,713	16,926,381
Liabilities and equity					
Liabilities					
Other payables	10	130,999	529,891	336,284	1,370,358
Current income tax liability	11.2	88,535	358,124	48,214	196,472
Total liabilities		219,534	888,015	384,498	1,566,830
Equity					
Share capital	12	2,557,765	10,231,060	2,557,765	10,231,060
Regulatory reserves	13	-	-	20,688	84,304
Retained earnings		1,432,562	5,802,800	1,190,762	4,816,982
Currency translation differences		-	107,013	-	227,205
Total equity		3,990,327	16,140,873	3,769,215	15,359,551
Total liabilities and equity		4,209,861	17,028,888	4,153,713	16,926,381

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

Statement of comprehensive income
For the year ended 31 December 2020

	Note	2020 US$	2020 KHR'000 (Note 2.4)	2019 (As restated) US$	2019 (As restated) KHR'000 (Note 2.4)
Interest income	14	268,054	1,092,856	306,962	1,243,810
Fee and commission income		1,438,676	5,865,482	1,634,546	6,623,180
Other income		48,902	199,373	89,277	361,750
Total operating income		1,755,632	7,157,711	2,030,785	8,228,740
Depreciation		(18,162)	(74,046)	(28,059)	(113,695)
General and administrative expenses	15	(1,245,773)	(5,079,017)	(1,868,901)	(7,572,787)
Net impairment loss on financial assets	7	(191,272)	(779,816)	(21,982)	(89,071)
Profit before income tax		300,425	1,224,832	111,843	453,187
Income tax expense	11.3	(79,313)	(323,359)	(40,904)	(165,743)
Net profit for the year		221,112	901,473	70,939	287,444
Other comprehensive income					
Currency translation difference		-	(120,192)	-	166,958
Total comprehensive income for the year		221,112	781,281	70,939	454,402

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

Statement of changes in equity
For the year ended 31 December 2020

	Share capital		Regulatory reserve		Retained earnings (As restated)		Currency translation differences		Total	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
At 1 January 2019	5,057,765	20,231,060	-	-	1,140,511	4,613,366	-	60,247	6,198,276	24,904,673
Transactions with shareholders recognised directly in equity										
Capital withdrawal	(2,500,000)	(10,000,000)	-	-	-	-	-	-	(2,500,000)	(10,000,000)
Comprehensive income for the year										
Net profit for the year (as restated)	-	-	-	-	70,939	287,444	-	-	70,939	287,444
Transfer	-	-	20,688	83,828	(20,688)	(83,828)	-	-	-	-
Other comprehensive income										
Currency translation difference	-	-	-	476	-	-	-	166,958	-	167,434
Total comprehensive income for the year	-	-	20,688	84,304	50,251	203,616	-	166,958	70,939	454,878
At 31 December 2019	2,557,765	10,231,060	20,688	84,304	1,190,762	4,816,982	-	227,205	3,769,215	15,359,551

Statement of changes in equity (continued)
For the year ended 31 December 2020

	Share capital		Regulatory reserve		Retained earnings		Currency translation differences		Total	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
At 1 January 2020	2,557,765	10,231,060	20,688	84,304	1,190,762	4,816,982	-	227,205	3,769,215	15,359,551
Comprehensive income for the year										
Net profit for the year	-	-	-	-	221,112	901,473	-	-	221,112	901,473
Transfer	-	-	(20,688)	(84,345)	20,688	84,345			-	-
Other comprehensive income/(loss)										
Currency translation difference	-	-	-	41	-	-	-	(120,192)	-	(120,151)
Total comprehensive income/(loss) for the year	-	-	(20,688)	(84,304)	241,800	985,818	-	(120,192)	221,112	781,322
At 31 December 2020	2,557,765	10,231,060	-	-	1,432,562	5,802,800	-	107,013	3,990,327	16,140,873

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

Statement of cash flows
For the year ended 31 December 2020

	2020		2019 (As restated)	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Cash flows from operating activities				
Net profit for the year	221,112	901,473	70,939	287,444
Adjustments for:				
Income tax expense	79,313	323,359	40,904	165,743
Net impairment loss on financial assets	191,272	779,816	21,982	89,071
Depreciation	18,162	74,046	28,059	113,695
Assets written-off	172	701	2,550	10,333
Loans written-off	-	-	(64,274)	(260,438)
Gains on disposals of property and equipment	(5,747)	(23,431)	(13,664)	(55,367)
	504,284	2,055,964	86,496	350,481
Changes in:				
Loans to customers	42,313	172,510	29,775	120,648
Other assets	83,578	340,748	7,683	31,132
Other payables	(205,285)	(836,947)	71,151	288,304
	424,890	1,732,275	195,105	790,565
Income tax paid	(33,778)	(137,713)	(20,746)	(84,063)
Net cash generated from operating activities	391,112	1,594,562	174,359	706,502
Cash flows from investing activities				
Purchases of property and equipment	(18,569)	(75,706)	(2,698)	(10,932)
Proceeds from disposals of property and equipment	5,747	23,431	13,711	55,557
Net cash (used in)/generated from investing activities	(12,822)	(52,275)	11,013	44,625
Cash flows from financing activities				
Reduction of share capital	-	-	(2,500,000)	(10,000,000)
Withdrawal of deposits from the NBC	-	-	125,000	506,500
Net cash used in financing activities	-	-	(2,375,000)	(9,493,500)
Net increase/(decrease) in cash and cash equivalents	378,290	1,542,287	(2,189,628)	(8,742,373)
Cash and cash equivalent at 1 January	2,084,928	8,496,081	4,274,556	17,175,166
Currency translation difference	-	(74,651)	-	63,288
Cash and cash equivalents at 31 December (Note 16)	2,463,218	9,963,717	2,084,928	8,496,081

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

Notes to the financial statements
For the year ended 31 December 2020

1. Reporting entity

Niron Microfinance Plc. ("the Company") is a public limited company incorporated in the Kingdom of Cambodia on 18 October 2013 under the registration number 00007469 issued by the Ministry of Commerce.

On 4 November 2015, the National Bank of Cambodia (the "Central Bank" or "NBC") granted the Company a permanent license to conduct business as a micro-finance institution in the Kingdom of Cambodia.

The principal business activities of the Company are to provide credit service and other financial services to individual customers in the Kingdom of Cambodia. It currently operates through its head office in Phnom Penh and ten branches, which are located in provinces.

The Company's registered office is located at #21-23-25, Street 598, Sangkat Phnom Penh Thmey, Khan Sen Sok, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2020, the Company had 200 employees (2019: 202 employees).

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs").

Details of the Company's significant accounting policies are included in Note 21.

These financial statements were approved by the Board of Directors and authorised for issue on 26 April 2021.

2.2 Fiscal year and reporting period

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

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.4 Functional and presentation currency

The national currency of Cambodia is the Khmer Riel ("KHR"). However, as the Company transacts it business and maintains its accounting records in two currencies, the US$ and the KHR, management has determined the US$ to be the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

2.4 Functional and presentation currency (continued)

The financial statements are stated in the US$, which is the Company's functional currency. All amounts have been rounded to the nearest dollars, unless otherwise indicated.

The translations of United States Dollars amount into KHR are included solely for meeting the presentation requirements pursuant to the Law on Accounting and Auditing.

Assets and liabilities are translated at the closing rate as at the reporting date, and the share capital are translated at the historical rate. The statements of comprehensive income and cash flows are translated into KHR using the average rate for the year. Exchange differences arising from the translation are recognised as "currency translation difference" in the other comprehensive income. The accumulative currency translation differences are recognised as a separate component of equity. All values in KHR are rounded to the nearest thousand ("KHR'000"), except if otherwise indicated.

The Company uses the following exchange rates:

Financial year end	Closing rate	Average rate
31 December 2020	US$1 = KHR4,045	US$1 = KHR4,077
31 December 2019	US$1 = KHR4,075	US$1 = KHR4,052

These convenience translations should not be construed as representations that the US$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

2.5 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2020 is set out in Note 3 - Critical accounting estimates and judgements.

3. Critical accounting estimates and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of failure events that are believed to be reasonable under the circumstances. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3.1 Income and other taxes

Taxes are calculated on the basis of current interpretation of the tax obligations. However, these regulations are subject to periodic variation and different interpretation following inspection by the tax authorities. These may result in tax increase and other retroactive tax claims. It is difficult to predict the timing and severity of these occurrences or their potential effect.

3.2 Property and equipment

Accounting for property and equipment involves the use of estimates for determining the expected useful lives of these assets. The determination of useful lives of the assets is based on Management's judgement.

3.3 Allowance for doubtful debts

Management establishes allowance for doubtful debts on a case-by-case basis when they believe collection of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial condition of customer were deteriorating, resulting in inability to make the required payments, allowance may be required to be made for such receivable.

4. Cash on hand

	2020		2019	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Khmer Riel	36,573	147,938	50,426	205,485
US Dollars	11,486	46,461	9,607	39,149
	48,059	194,399	60,033	244,634

5. Deposits and placements with the NBC

	2020		2019	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Capital guarantee (*)	127,888	517,307	127,888	521,144
Current accounts	10,306	41,688	9,541	38,879
	138,194	558,995	137,429	560,023

(*) The capital guarantee deposit is maintained with the NBC in compliance with Prakas No. B7-00-006 on the Licensing of Microfinance, the amounts of which are determined at 5% of the Company's registered share capital. The guarantee deposit is refundable when the Company voluntarily liquidates and has no deposit liabilities.

The capital guarantee deposit earns interest at the rate of 0.36% per annum.

6. Deposits and placements with banks

	2020		2019	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Current accounts	1,281	5,182	1,109	4,519
Saving accounts	2,403,572	9,722,448	2,014,245	8,208,049
	2,404,853	9,727,630	2,015,354	8,212,568

Deposits and placements with banks are analysed as follows:

(a) By maturity:

	2020		2019	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Within 1 month	2,404,853	9,727,630	2,015,354	8,212,568

(b) By interest rate (per annum):

	2020	2019
Current accounts	0.00%	0.00%
Savings accounts	0.00%	0.00%

7. Loans to customers

	2020		2019 (As restated)	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Loans to customers at amortised costs	1,493,265	6,040,257	1,629,741	6,641,195
Less: impairment loss allowance	(119,091)	(481,723)	(21,982)	(89,577)
	1,374,174	5,558,534	1,607,759	6,551,618

Movements of allowances for impairment loss are as follows:

	2020		2019 (As restated)	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
At 1 January	21,982	89,577	64,274	258,253
Allowance for the year	191,272	779,816	21,982	89,071
Loan written-off	(94,163)	(383,903)	(64,274)	(260,438)
Currency translation difference	-	(3,767)	-	2,691
At 31 December	119,091	481,723	21,982	89,577

Gross loans to customers are analysed as follows:

(a) By maturity:

	2020		2019 (As restated)	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Within 1 month	167	676	11,915	48,554
1 to 3 months	1,964	7,944	83,610	340,711
3 to 12 months	22,944	92,808	1,533,852	6,250,447
Over 12 months	1,468,190	5,938,829	364	1,483
	1,493,265	6,040,257	1,629,741	6,641,195

7. **Loans to customers** (continued)

Gross loans to customers are analysed as follows (continued):

(b) By currency:

	2020		2019 (As restated)	
	US$	**KHR'000** (Note 2.4)	**US$**	**KHR'000** (Note 2.4)
US Dollars	50,973	206,186	238,968	973,795
Khmer Riel	1,442,292	5,834,071	1,390,773	5,667,400
	1,493,265	6,040,257	1,629,741	6,641,195

(c) By residency status:

	2020		2019 (As restated)	
	US$	**KHR'000** (Note 2.4)	**US$**	**KHR'000** (Note 2.4)
Residents	1,493,265	6,040,257	1,629,741	6,641,195

(d) By relationship:

	2020		2019 (As restated)	
	US$	**KHR'000** (Note 2.4)	**US$**	**KHR'000** (Note 2.4)
External customers	1,469,534	5,944,265	1,615,487	6,583,110
Staff loans	23,731	95,992	14,254	58,085
	1,493,265	6,040,257	1,629,741	6,641,195

7. Loans to customers (continued)

Gross loans to customers are analysed as follows (continued):

(e) By economic sector:

	2020		2019 (As restated)	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Household/family	718,406	2,905,953	752,992	3,068,442
Agriculture	311,987	1,261,987	391,382	1,594,882
Trade and commerce	271,206	1,097,028	253,712	1,033,876
Services	131,011	529,939	186,834	761,349
Constructions	12,374	50,053	13,969	56,924
Transportation	1,149	4,648	4,179	17,029
Others	47,132	190,649	26,673	108,693
	1,493,265	6,040,257	1,629,741	6,641,195

(f) By interest rates (per annum):

	2020	2019
Group loans	18%	18%
Individual loans	18%	18%

8. Other assets

	2020		2019	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Prepayments	116,808	472,488	200,344	816,402
Deposits	43,410	175,594	43,452	177,067
	160,218	648,082	243,796	993,469

9. Property and equipment

31 December 2020	Leasehold improvements US$	Furniture and fixtures US$	Computer equipment US$	Office and other equipment US$	Vehicles US$	Total US$	KHR'000 (Note 2.4)
Cost							
At 1 January 2020	121,806	32,119	99,668	71,130	65,662	390,385	1,590,819
Additions	14,178	386	2,355	1,650	-	18,569	75,706
Disposals	-	-	-	(4,160)	(17,697)	(21,857)	(89,111)
Written off	-	-	(10,112)	(1,365)	(1,370)	(12,847)	(52,377)
Currency translation difference	-	-	-	-	-	-	(11,196)
At 31 December 2020	135,984	32,505	91,911	67,255	46,595	374,250	1,513,841
Less: **Accumulated depreciation**							
At 1 January 2020	53,340	31,336	95,410	67,761	64,789	312,636	1,273,992
Depreciation for the year	11,975	774	3,122	2,043	248	18,162	74,046
Disposals	-	-	-	(4,160)	(17,697)	(21,857)	(89,111)
Written off	-	-	(10,112)	(1,193)	(1,370)	(12,675)	(51,676)
Currency translation difference	-	-	-	-	-	-	(8,855)
At 31 December 2020	65,315	32,110	88,420	64,451	45,970	296,266	1,198,396
Carrying amounts							
At 31 December 2020	70,669	395	3,491	2,804	625	77,984	315,445

9. Property and equipment (continued)

31 December 2019	Leasehold improvements US$	Furniture and fixtures US$	Computer equipment US$	Office and other equipment US$	Vehicles US$	Total US$	Total KHR'000 (Note 2.4)
Cost							
At 1 January 2019	121,806	34,409	119,592	77,659	98,457	451,923	1,815,827
Additions	-	-	1,160	538	1,000	2,698	10,932
Disposals	-	(33)	(10,526)	(868)	(31,118)	(42,545)	(172,392)
Written off	-	(2,257)	(10,558)	(6,199)	(2,677)	(21,691)	(87,892)
Currency translation difference	-	-	-	-	-	-	24,344
At 31 December 2019	121,806	32,119	99,668	71,130	65,662	390,385	1,590,819
Less: **Accumulated depreciation**							
At 1 January 2019	43,820	32,050	106,634	72,080	94,432	349,016	1,402,347
Depreciation for the year	9,520	1,576	9,813	2,748	4,152	27,809	112,682
Disposals	-	(33)	(10,479)	(867)	(31,118)	(42,497)	(172,198)
Written off	-	(2,257)	(10,558)	(6,200)	(2,677)	(21,692)	(87,896)
Currency translation difference	-	-	-	-	-	-	19,057
At 31 December 2019	53,340	31,336	95,410	67,761	64,789	312,636	1,273,992
Carrying amounts							
At 31 December 2019	68,466	783	4,258	3,369	873	77,749	316,827

10. Other payables

	2020		2019	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Provision for employee benefit (*)	56,191	227,293	67,335	274,390
Accrued bonus and related cost	52,974	214,280	233,842	952,906
Accrued expenses	5,228	21,147	17,700	72,128
Withholding tax payable	3,451	13,959	4,153	16,923
Others	13,155	53,212	13,254	54,011
	130,999	529,891	336,284	1,370,358

(*) This represents provision for seniority indemnity payments required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018, and subsequently amended by the Instruction No. 042/19 dated 22 March 2019. It requires all employers to settle the seniority indemnity to their employees as follows:

(i) Current pay: starting from 2019 onwards at the amounts equal to 15 days of wages and other benefits per year.

(ii) Retrospective (back-pay): starting from 2021 onwards at the amounts equal to 6 days of net wages per year. The provision of back-pay seniority indemnity is calculated at 6 days of wages and other benefits per year at a maximum amount of 6 months' net wages (depends on the length of the service employee served) to the employee who has seniority before 2019.

Payments will be made twice a year, in June and December respectively. Employee does not entitle to the remaining back-pay seniority indemnity which is not yet due, if he/she resigns from the entity.

Movements of provision for employee benefits during the year are as follows:

	2020		2019	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
At 1 January	67,335	274,390	67,335	270,552
Charged during the year	32,965	134,398	-	-
Reversal	(44,109)	(179,832)	-	-
Currency translation difference	-	(1,663)	-	3,838
At 31 December	56,191	227,293	67,335	274,390

11. Income tax

11.1 Deferred tax assets, net

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2020		2019 (As restated)	
	US$	**KHR'000** (Note 2.4)	**US$**	**KHR'000** (Note 2.4)
Deferred tax assets	11,032	44,624	11,593	47,242
Deferred tax liabilities	(4,653)	(18,821)	-	-
	6,379	25,803	11,593	47,242

(i) Movements of deferred tax assets during the year are as follows:

	2020		2019 (As restated)	
	US$	**KHR'000** (Note 2.4)	**US$**	**KHR'000** (Note 2.4)
At 1 January	11,593	47,242	6,950	27,925
Charged to profit or loss	(5,214)	(21,256)	4,643	18,813
Currency translation difference	-	(183)	-	504
At 31 December	6,379	25,803	11,593	47,242

(ii) Deferred tax assets are attributable to the following:

	2020		2019 (As restated)	
	US$	**KHR'000** (Note 2.4)	**US$**	**KHR'000** (Note 2.4)
Accelerated depreciation	812	3,285	2,886	11,760
Allowance for impairment losses	10,220	41,340	3,752	15,289
Unrealised exchange	(4,653)	(18,822)	4,955	20,193
	6,379	25,803	11,593	47,242

11.2 Current income tax liability

	2020		2019 (As restated)	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
At 1 January	48,214	196,472	23,413	94,073
Current income tax	74,099	302,103	45,547	184,556
Income tax paid	(33,778)	(137,713)	(20,746)	(84,063)
Currency translation difference	-	(2,738)	-	1,906
At 31 December	88,535	358,124	48,214	196,472

11.3 Income tax expense

In accordance with Cambodian Law on Taxation, the Company has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenues, whichever is higher.

	2020		2019	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Current income tax	74,099	302,103	45,547	184,556
Deferred tax	5,214	21,256	(4,643)	(18,813)
	79,313	323,359	40,904	165,743

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

	2020		2019	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Profit before income tax	300,425	1,224,832	111,843	453,187
Income tax using income tax rate at 20%	60,085	244,966	22,369	90,637
Effect of non-deductible expense	177	722	754	3,055
Others	19,051	77,671	17,781	72,051
	79,313	323,359	40,904	165,743

The calculation of taxable income is subject to the review and approval of the tax authorities.

12. Share capital

	2020			2019		
	Number	US$	KHR'000 (Note 2.4)	Number	US$	KHR'000 (Note 2.4)
Registered and issued at US$1 each	2,557,765	2,557,765	10,231,060	2,557,765	2,557,765	10,231,060

On 1 May 2020, the shareholders had signed a shareholder resolution following Mr. Lay Kimchhen's requested to resign from the Chairman and sold all his shares to the other four shareholders with a share price of US$1 per share.

The share structure will also change as a result of the shares transferred from Mr. Lay Kimchhen of 971,700 shares to the other four shareholders as below.

	2020			2019		
	% of ownership	Number of shares	Amount US$	% of ownership	Number of shares	Amount US$
Mr. Lay Kimchhen	-	-	-	38%	971,700	971,700
Mr. Chhun Sina	64%	1,641,875	1,641,875	13%	339,887	339,887
Mr. Chhun Srea	21%	548,122	548,122	40%	1,018,141	1,018,141
Ms. Chhun Vannouch	8%	202,086	202,086	5%	125,321	125,321
Ms. Chhun Vannal	6%	165,682	165,682	4%	102,716	102,716
	100%	2,557,765	2,557,765	100%	2,557,765	2,557,765

On 10 September 2020, the National Bank of Cambodia approved the Company's request dated 4 September 2020 for the changes of shareholding structure.

Subsequently, the revised Memorandum and Articles of Association ("MAA") to reflect the above changes was endorsed by the Ministry of Commerce on 20 January 2021.

13. Regulatory reserves

	2020		2019	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Regulatory reserves (*)	-	-	20,688	84,304

13. Regulatory reserves (continued)

(*) Regulatory reserves:

	2020		2019	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
At 1 January	20,688	84,304	-	-
Transfers	(20,688)	(84,345)	20,688	83,828
Currency translation difference	-	41	-	476
At 1 January	-	-	20,688	84,304

(**) Transfer from retained earnings to reserve pertaining to impairment during the year when the provision under NBC requirement is higher than CIFRS for SMEs:

	2020		2019	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Impairment loss on credit facilities required by the NBC				
- Balance with banks	24,049	98,048	20,154	82,128
- Loan to customers	91,261	372,071	22,516	91,753
	115,310	470,119	42,670	173,881
Impairment loss on financial assets under CIFRS for SMEs (Note 7)	119,091	481,723	21,982	89,577
	-	-	20,688	84,304

According to NBC's Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning, excess amount of impairment calculated in accordance with regulatory provision compared to the impairment calculated under CIFRS for SMEs has to be transferred from retained earnings to regulatory reserves within shareholder's equity.

14. Interest income

	2020		2019	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Loans to customers	267,269	1,089,656	305,268	1,236,946
Capital guarantee	785	3,200	1,694	6,864
	268,054	1,092,856	306,962	1,243,810

15. General and administrative expenses

	2020		2019	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Employee salaries and benefits	863,090	3,518,818	1,325,475	5,370,825
Rental	228,926	933,331	246,115	997,258
Vehicles operating expenses	44,537	181,577	42,092	170,557
Utilities expenses	30,224	123,223	30,023	121,653
Legal and professional fees	30,072	122,604	95,317	386,224
Communication expenses	29,747	121,279	37,009	149,960
Office supplies	5,868	23,924	4,604	18,655
Marketing and advertising expenses	4,197	17,111	2,851	11,552
Travel expenses	1,887	7,693	25,045	101,482
Repairs and maintenance	1,850	7,542	3,626	14,693
Written-off fixed assets	172	701	2,550	10,333
Others	5,203	21,214	54,194	219,595
	1,245,773	5,079,017	1,868,901	7,572,787

16. Cash and cash equivalents

	2020		2019	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Cash on hand (Note 4)	48,059	194,399	60,033	244,634
Deposits and placements with the NBC (Note 5)	10,306	41,688	9,541	38,879
Deposits and placements with banks (with maturities of 3 months or less) (Note 6)	2,404,853	9,727,630	2,015,354	8,212,568
	2,463,218	9,963,717	2,084,928	8,496,081

17. Related party transactions

	2020		2019	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Related party transactions:				
Office rental	93,333	380,519	118,000	478,136
Directors and key management personnel compensation	48,649	198,342	46,274	187,502

18. Leases commitments

The Company leases office premises under an operating lease arrangement with minimum lease commitments as follows:

	2020		2019	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Within 1 year	171,200	692,504	221,903	904,255
2 to 5 years	177,550	718,190	724,255	2,951,339
Over 5 years	-	-	79,836	325,332
	348,750	1,410,694	1,025,994	4,180,926

19. Tax contingencies

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant.

20. Significant event

Impact of Novel Coronavirus Outbreak to the Company

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global as well as Cambodia business environment. The Company will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Company.

21. Significant accounting policies

21.1 Basis of aggregation

The Company's financial statements comprise the financial statements of the head office and its branches. All inter-branch balances and transactions have been eliminated.

21.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other highly liquid investments with original maturities of three months or less and that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost using the effective interest method in the statement of financial position.

21.3 Deposits and placements with banks

Deposits and placements with banks are carried at amortised cost using the effective interest method in the statement of financial position.

21.4 Deposits and placements with the NBC

Deposits and placements with the NBC, including capital guarantee deposit, are carried at amortised cost using the effective interest method in the statement of financial position.

Capital guarantee deposit is maintained in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by defined percentages of minimum share capital as required by the NBC. Capital guarantee is not available to finance the Company's day-to-day operations hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

21.5 Loan to customers

Loans to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

Loans to customers are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

21.6 Other assets

Other assets are carried at amortised cost using the effective interest method in the statement of financial position.

21.7 Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within other income in profit or loss.

(ii) Subsequent costs

The costs of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is charged so as to allocated the cost of assets less their residual value over there estimated useful lives. Depreciation starts when the assets is readily available for use. The annual depreciation method and useful lives for property and equipment are as follows:

Leasehold improvements	20 years	Using a straight-line method
Furniture and fixtures	4 years	Using declining line method
Computer equipment	2 years	Using declining line method
Office and other equipment	4 years	Using declining line method
Vehicles	4 years	Using declining line method

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

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

21.8 Intangible assets

Intangible assets consist of computer software license and related costs are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised over an estimate useful life of 10 years using a straight-line method. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

21.9 Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. 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 the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

21.10 Other liabilities

Other liabilities are carried at amortised cost using the effective interest method in the statement of financial position.

21.11 Provisions

Provisions are recognised in the statement of financial provision when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost.

21.12 Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Termination benefits

Termination benefits are payments due to employees as a result of the termination of employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are recognised as a liability and an expense when the Company has a detailed formal plan for termination with no realistic possibility of withdrawal. In the case of voluntary redundancy, the benefits are accounted for based on the number of employees expected to accept the offer.

Where termination benefits fall due more than 12 months after the end of reporting period, they are discounted to present value based on market yields at the end of reporting period.

(iii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits, including seniority indemnity obligation, is the amount of the benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

21.13 Dividends

Dividends declared and approved by the Company's shareholders before the end of reporting date are recognised as a liability and accounted for as a deduction from the retained earnings in the financial statements.

Dividends declared and approved by the Company's shareholders after the reporting date are not recognised as a liability but disclosed as the subsequent events note in the financial statements.

21.14 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

21.15 Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

21.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Rights to assets held under finance leases are recognised as assets of the Company at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

21.17 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences).

Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss, except that an adjustment attributable to an item of income or expense recognised in other comprehensive income shall also be recognised in other comprehensive income.

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

21.18 Financial assets and financial liabilities

(i) Recognition

The Company initially recognises a financial asset or a financial liability when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

The Company classifies its financial assets and liabilities as basic financial instruments in accordance with Section 11, Basic Financial Instruments.

21.18 Financial assets and financial liabilities (continued)

(iii) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or settled, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

21.18 **Financial assets and financial liabilities** (continued)

*(vi) **Fair value measurement** (continued)*

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

(vii) Identification and measurement of impairment

Objective evidence of impairment

At each reporting date, the Company assesses whether there is objective evidence that financial assets that are measured at cost or amortised cost. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets and that the loss event has an impact on the future cash flows of the assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

21.18 Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Individual and collective assessment

All individually significant assets are individually assessed for impairment.

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment, and found to be individually impaired, and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the management.

A collective component of the total allowance is established for:

- groups of homogeneous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.

The collective allowance for groups of homogeneous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience.

In assessing the collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

Measurement

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

21.18 Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Reversal of impairment and written off

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.

The Company writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the management determines that there is no realistic prospect of recovery.

21.19 Regulatory reserves

The NBC issued Prakas No. B7-017-344 dated 1 December 2017 on Credit Risk Grading and Provision on Impairment and Circular No. B7-018-001 dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Provision on Impairment, which require all banks and financial institutions ("Institution") to measure the impairment and provide sufficient allowance for bad and doubtful loans based on the new credit risk grading and provision as follows:

Classification	Number of days past due	Allowance
Short-term loans (less than one year):		
Standard	0 - 14 days	1%
Special mention	15 - 29 days	3%
Sub-standard	30 - 59days	20%
Doubtful	60 - 89 days	50%
Loss	90 - days or more	100%
Long-term loans (more than one year):		
Standard	0 - 29 days	1%
Special mention	30 - 89 days	3%
Sub-standard	90 - 179 days	20%
Doubtful	180 - 359 days	50%
Loss	360 - days or more	100%

21.19 **Regulatory reserves** (continued)

In accordance with Article 73, the entity is shall compare the provision calculated in accordance with above requirements, and the Company's record which is under CIFRS for SMEs:

(i) If the regulatory provision is lower, the entity records the provision calculated in accordance with CIFRS for SMEs; and

(ii) If the regulatory provision is higher, the entity records the provision calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings into regulatory reserves in equity account.

21.20 Related parties

Enterprises and individual that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including the 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 members of the family of these individuals and companies associated with these individuals, also constitute related parties.

22. Corresponding figures

During the preparation of 2020 financial statements, the management identified the following errors:

(i) Unearned loan fees were incorrectly recognised as impairment loss allowance rather than deduction from loans to customers.

(ii) Overstatement of deferred tax assets and current income tax liability.

22. Corresponding figures (continued)

The Company's management decided to restate the corresponding figures as at and for the year ended 31 December 2019 as follow:

	2019			
	As restated		As previously stated	
	US$	KHR'000 (Note 2.4)	US$	KHR'000 (Note 2.4)
Statement of financial position				
Assets				
Loans to customers - net	1,607,759	6,551,618	1,587,606	6,469,494
Deferred tax assets	11,593	47,242	51,299	209,044
Liabilities				
Current income tax liabilities	48,214	196,472	87,921	358,278
Equity				
Retained earnings	1,190,762	4,816,982	1,191,297	4,819,150
Statement of comprehensive income				
Allowance for bad and doubtful loans	(21,982)	(89,071)	(46,940)	(190,201)

អគារលេខ: ២១-២៣-២៥, ផ្លូវលេខ៥៩៨, សង្កាត់ភ្នំពេញថ្មី, ខណ្ឌ សែនសុខ, រាជធានីភ្នំពេញ, ព្រះរាជាណាចក្រកម្ពុជា,
ទូរស័ព្ទលេខ:០៨៦ ៦៥៥ ៩៩៩, វេបសាយ : www.niron.com.kh
Head Office: #២១-២៣-២៥, St.៥៩៨, Sangkat Phnom Penh Thmey, Khan Sen Sok, Phnom Penh, Cambodia.
Tel: ០៨៦ ៦៥៥ ៩៩៩, Website : www.niron.com.kh
E-mail: info@niron.com.kh, Website: www.niron.com.kh