

Financial statements and independent auditor's report

Pestech (Cambodia) Plc and its subsidiaries

30 June 2020

Contents

	Page
Report of the Board of Directors	1
Independent auditor's report	4
The Group's statement of financial position	7
The Company's statement of financial position	9
The Group's statement of profit or loss and other comprehensive income	11
The Company's statement of profit or loss and other comprehensive income	12
The Group's statement of changes in equity	13
The Company's statement of changes in equity	14
The Group's statement of cash flows	15
The Company's statement of cash flows	17
Notes to the financial statements	19

Report of the Board of Directors

The Board of Directors has the pleasure in submitting this report and the audited financial statements of Pestech (Cambodia) Plc (“the Company”) and the audited financial statements of the Company and its subsidiaries (together hereinafter referred to as “the Group”) as at 30 June 2020 and for the year then ended.

The Company

Pestech (Cambodia) Plc was incorporated on 5 February 2010 as a single member private company and is a wholly owned subsidiary of Pestech International Berhad, a company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is registered with Cambodia’s Ministry of Commerce (“MOC”) under company registration number 00000957, with a registered capital of USD 7,100,000, consisting of 71,000,000 shares, with a par value of USD0.10 per share.

Pestech (Myanmar) Limited (“the subsidiary”) was incorporated as a private limited company which is 99.99% owned by the Company under registration No. 117938093 dated 24 March 2017 issued by the Government of the Republic of the Union of Myanmar, Ministry of Planning and Finance.

Pestech Hinthar Corporation Limited was incorporated as a private limited company which is 60%-owned by Pestech (Myanmar) Limited under Myanmar Companies Law 2017 on 24 June 2019. The registered share capital is USD50,000 comprising 50,000 ordinary shares.

Pestech Microgrid Company Limited was incorporated as a private limited company which is 90% owned by Pestech Hinthar Corporation Limited under Myanmar Companies Law 2017 on 14 February 2020. The registered share capital is USD10,000 comprising 10,000 ordinary shares.

The Company considers Pestech Hinthar Corporation Limited and Pestech Microgrid Company Limited as indirect subsidiaries.

The principal activity of the Company is to engage in the construction of electrical sub-stations and transmission lines. The principal activities of the subsidiaries are set out in note 9 to the financial statements.

The registered office of the Company is located at No. 6, Street 588, Sangkat Boeung Kok II, Khan Toul Kork, Phnom Penh, Kingdom of Cambodia. The registered offices of the direct/indirect subsidiaries are located at Unit 01-05, Level 10, Junction City Office Tower, corner of 27 street and Bogyoke Aung San Road, Pabedan Township, Yangon, Myanmar and Thapyaynyo Street, No. 3E, Shinsawpu Ward, Sannchaung Township Yangon, Republic of the Union of Myanmar, respectively.

There have been no significant changes in the nature of the Company's and its subsidiaries' activities during the reporting period.

Results of operations

The results of the Group's and of the Company's operations for the year ended 30 June 2020 and the state of their affairs as at that date are set out in the financial statements.

The Board of Directors do not recommend any dividend for the year ended 30 June 2020.

Board of Directors

The members of the Board of Directors of the Group and the Company during the year and to the date of this report were as follows:

Name	Position	Appointed on
Mr. Lim Pay Chuan	Chairman	5 February 2010
Mr. Lim Ah Hock	Director	5 February 2010
Mr. Tan Pu Hooi	Director	27 June 2018
Mr. Han Fatt Juan	Director	27 June 2018
Mr. Dav Ansan	Independent Non-Executive Director	29 August 2018

Auditors

The financial statements of the Group and of the Company for the year ended 30 June 2020 have been audited by Grant Thornton (Cambodia) Limited.

Directors' benefits

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

Since the end of the previous financial year, the directors have not received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the Director is a member, or with a company in which the director has a substantial financial interest, except for the benefit as disclosed in note 25 to the financial statements.

Board of Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ensuring that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and of their financial performance and their cash flows for the year then ended. When preparing the financial statements, the Board of Directors is required to:

- i. adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii. comply with the disclosure requirements of Cambodian International Financial Reporting Standards or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- iii. maintain adequate accounting records and an effective system of internal control;
- iv. prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Group and the Company will continue their operations in the foreseeable future; and,

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

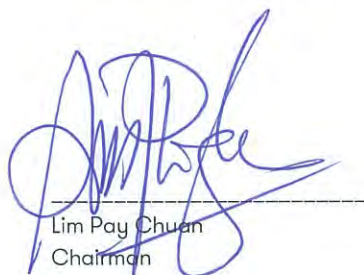
The Board of Directors is also responsible for safeguarding the assets of the Group and of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Statement by the Board of Directors

In the opinion of the Board of Directors, the accompanying statements of financial position, comprehensive income, changes in equity and cash flows, together with the notes thereto, have been properly drawn up and give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and of their financial performance and their cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards.

On behalf of the Board of Directors



Lim Pay Chuan
Chairman

Kuala Lumpur, Malaysia
25 September 2020

Independent auditor's report

Grant Thornton (Cambodia) Limited
20th Floor Canadia Tower
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To the Shareholder of Pestech (Cambodia) Plc

Opinion

We have audited the financial statements of Pestech (Cambodia) Plc (“the Company”) and the consolidated financial statements of the Company and its subsidiaries (together hereinafter referred to as “the Group”), which comprise the statements of financial position as at 30 June 2020, and the statements of comprehensive income, statements of changes in equity and statements 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 present fairly, in all material respects, the financial positions of the Group and of the Company as at 30 June 2020, and their financial performances and their cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”).

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 Group and the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”) together with the ethical requirements that are relevant to our audit of financial statements in the Kingdom of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Report of the Board of Directors, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit assurance nor 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 the management for the financial statements

The management of the Group and the Company is responsible for the preparation and fair presentation of the financial statements in accordance with CIFRSs, and for such internal control as the 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, the management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with CISAs, we exercise professional judgement 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.



- Conclude on the appropriateness of the 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 Group's or 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 Group or 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Grant Thornton
GRANT THORNTON (CAMBODIA) LIMITED

Certified Public Accountants
 Registered Auditors



Ronald C. Almera

Ronald C. Almera

Partner – Audit and assurance

Phnom Penh, Kingdom of Cambodia
 25 September 2020

The Group's statement of financial position

	Note	USD'000	30 June 2020 KHR'mil (Note 4.2)	USD'000	30 June 2019 KHR'mil (Note 4.2)
Assets					
Non-current					
Property, plant and equipment	7	15,404	63,049	2,247	9,135
Intangible assets		5	20	3	12
Contract assets	10	198,200	811,233	173,059	703,658
Non-current assets		213,609	874,302	175,309	712,805
Current					
Trade and other receivables	11	3,667	15,009	10,804	43,928
Inventories	12	4,335	17,743	-	-
Contract assets	10	18,789	76,903	6,042	24,565
Amounts due from related parties	24	2,332	9,545	1,944	7,906
Cash and bank balances	13	5,524	22,610	13,056	53,086
Current assets		34,647	141,810	31,846	129,485
Total assets		248,256	1,016,112	207,155	842,290

The Group's statement of financial position (continued)

	Note	USD'000	30 June 2020 KHR'mil (Note 4.2)	USD'000	30 June 2019 KHR'mil (Note 4.2)
Equity and liabilities					
Equity					
Share capital	14	7,100	28,869	7,100	28,869
Reserves	14.1	(5,815)	(23,729)	(1,772)	(7,205)
Retained earnings		15,802	64,390	8,595	34,947
Currency translation difference		-	406	-	-
Total equity attributable to the parent		17,087	69,936	13,923	56,611
Non-controlling interest		5	21	-	-
Total equity		17,092	69,957	13,923	56,611
Liabilities					
Non-current					
Borrowings	16	100,077	409,615	95,407	387,925
Lease liabilities	8	23	94	-	-
Deferred tax liability		453	1,854	-	-
Derivative financial instruments	18	5,868	24,018	1,824	7,417
Non-current liabilities		106,421	435,581	97,231	395,342
Current					
Trade and other payables	15	10,858	44,442	8,317	33,816
Amount due to holding company	24	62,892	257,417	59,558	242,162
Amounts due to related parties	24	36,667	150,078	23,018	93,589
Borrowings	16	12,614	51,629	4,180	16,997
Lease liabilities	8	72	295	-	-
Income tax payable		1,640	6,713	928	3,773
Current liabilities		124,743	510,574	96,001	390,337
Total liabilities		231,164	946,155	193,232	785,679
Total equity and liabilities		248,256	1,016,112	207,155	842,290

The Company's statement of financial position

	Note	USD'000	30 June 2020 KHR'mil (Note 4.2)	USD'000	30 June 2019 KHR'mil (Note 4.2)
Assets					
Non-current					
Investment in a subsidiary	9	35	143	25	102
Property, plant and equipment	7	15,404	63,049	2,247	9,135
Intangible assets		5	20	3	12
Contract assets	10	198,200	811,233	173,059	703,658
Non-current assets		213,644	874,445	175,334	712,907
Current					
Trade and other receivables	11	3,652	14,948	10,804	43,928
Inventories	12	4,335	17,743	-	-
Contract assets	10	18,789	76,903	6,042	24,565
Amounts due from related parties	24	2,332	9,545	1,944	7,906
Amount due from a subsidiary	24	38	156	1	4
Cash and bank balances	13	5,500	22,512	13,040	53,020
Current assets		34,646	141,807	31,831	129,423
Total assets		248,290	1,016,252	207,165	842,330

The Company's statement of financial position (continued)

	Note	USD'000	30 June 2020 KHR'mil (Note 4.2)	USD'000	30 June 2019 KHR'mil (Note 4.2)
Equity and liabilities					
Equity					
Share capital	14	7,100	28,869	7,100	28,869
Reserves	14.1	(5,815)	(23,729)	(1,772)	(7,205)
Retained earnings		15,841	64,566	8,607	34,998
Currency translation difference		-	391	-	-
Total equity		17,126	70,097	13,935	56,662
Non-current					
Borrowings	16	100,077	409,615	95,407	387,925
Lease liabilities	8	23	94	-	-
Deferred tax liability		453	1,854	-	-
Derivative financial instruments	18	5,868	24,018	1,824	7,417
Non-current liabilities		106,421	435,581	97,231	395,342
Liabilities					
Current					
Trade and other payables	15	10,858	44,442	8,315	33,805
Amount due to holding company	24	62,892	257,417	59,558	242,162
Amounts due to related parties	24	36,667	150,078	23,018	93,589
Borrowings	16	12,614	51,629	4,180	16,997
Lease liabilities	8	72	295	-	-
Income tax payable		1,640	6,713	928	3,773
Current liabilities		124,743	510,574	95,999	390,326
Total liabilities		231,164	946,155	193,230	785,668
Total equity and liabilities		248,290	1,016,252	207,165	842,330

The Group's statement of profit or loss and other comprehensive income

	Note	For the year ended 30 June 2020 USD'000	KHR'mil (Note 4.2)	For the year ended 30 June 2019 USD'000	KHR'mil (Note 4.2)
Revenue	19	49,673	203,014	56,827	231,058
Operating expense	20	(33,834)	(138,281)	(52,047)	(211,625)
Other income		7	29	4	16
Other (losses)/gains	21	(20)	(82)	1,013	4,126
Profit before interest and tax		15,826	64,680	5,797	23,575
Finance income		29	119	12	48
Finance cost	22	(6,612)	(27,023)	(3,466)	(14,094)
Profit before income tax		9,243	37,776	2,343	9,529
Tax expense	23	(2,039)	(8,333)	(568)	(2,311)
Profit for the year		7,204	29,443	1,775	7,218
Profit for the year attributable to:					
Owners of the Company		7,207	29,455	1,775	7,218
Non-controlling interest		(3)	(12)	-	-
		7,204	29,443	1,775	7,218
Other comprehensive loss					
<i>Items that will be reclassified subsequently to profit or loss</i>					
Exchange translation differences		-	406	-	-
Fair value loss on cash flow hedges	14.1	(4,043)	(16,524)	(1,824)	(7,417)
Total comprehensive income/(loss)		3,161	13,325	(49)	(199)
Total comprehensive income/(loss) for the year attributable to:					
Owners of the Company		3,164	13,337	(49)	(199)
Non-controlling interest		(3)	(12)	-	-
		3,161	13,325	(49)	(199)

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

The Company's statement of profit or loss and other comprehensive income

	Note	For the year ended 30 June 2020		For the year ended 30 June 2019	
		USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Revenue	19	49,673	203,014	56,827	231,058
Operating expense	20	(33,804)	(138,156)	(52,033)	(211,573)
Other income		7	29	3	14
Other (losses)/gains	21	(20)	(82)	1,013	4,126
Profit before interest and tax		15,856	64,805	5,810	23,625
Finance income		29	119	12	48
Finance cost	22	(6,612)	(27,023)	(3,466)	(14,094)
Profit before income tax		9,273	37,901	2,356	9,579
Tax expense	23	(2,039)	(8,333)	(568)	(2,311)
Profit for the year		7,234	29,568	1,788	7,268
Other comprehensive loss					
<i>Items that will be reclassified subsequently to profit or loss</i>					
Exchange translation differences		-	391	-	-
Fair value loss on cash flow hedges	14.1	(4,043)	(16,524)	(1,824)	(7,417)
Total comprehensive income/(loss)		3,191	13,435	(36)	(149)

The Group's statement of changes in equity

	Note	Attributable to owners of the Company			Total USD'000	Non-controlling interest USD'000	Total equity USD'000	KHR'mil (Note 3)
		Non-distributable Share capital USD'000	Reserves USD'000	Distributable Retained earnings USD'000				
Balance at 1 July 2019	14	7,100	(1,772)	8,595	13,923	-	13,923	56,611
Profit for the year		-	-	7,207	7,207	(3)	7,204	29,443
Subscription of new shares by non-controlling interest in a subsidiary		-	-	-	-	8	8	33
Fair value loss on cash flow hedges	14.1	-	(4,043)	-	(4,043)	-	(4,043)	(16,524)
Currency translation difference		-	-	-	-	-	-	394
Balance at 30 June 2020		7,100	(5,815)	15,802	17,087	5	17,092	69,957
Balance at 1 July 2018		7,100	52	20,631	27,783	-	27,783	112,904
Effects of adoption of CIFRS 15		-	-	(13,811)	(13,811)	-	(13,811)	(56,114)
At 1 July 2018, restated		7,100	52	6,820	13,972	-	13,972	56,790
Profit for the year		-	-	1,775	1,775	-	1,775	7,218
Fair value loss on cash flow hedges	14.1	-	(1,824)	-	(1,824)	-	(1,824)	(7,417)
Currency translation difference		-	-	-	-	-	-	20
Balance at 30 June 2019		7,100	(1,772)	8,595	13,923	-	13,923	56,611

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

The Company's statement of changes in equity

	Note	← Non-distributable Share capital USD'000	→ Reserves USD'000	Distributable Retained earnings USD'000	Total equity USD'000	KHR'mil (Note 3)
Balance at 1 July 2019	14	7,100	(1,772)	8,607	13,935	56,662
Profit for the year				7,234	7,234	29,568
Fair value loss on cash flow hedges	14.1		(4,043)	-	(4,043)	(16,524)
Currency translation difference		-	-	-	-	391
Balance at 30 June 2020		7,100	(5,815)	15,841	17,126	70,097
Balance at 1 July 2018		7,100	52	20,631	27,783	112,905
Effects of adoption of CIFRS 15		-	-	(13,812)	(13,812)	(56,118)
At 1 July 2018, restated		7,100	52	6,819	13,971	56,787
Profit for the year		-	-	1,788	1,788	7,268
Fair value loss on cash flow hedges	14.1	-	(1,824)	-	(1,824)	(7,417)
Currency translation difference		-	-	-	-	24
Balance at 30 June 2019		7,100	(1,772)	8,607	13,935	56,662

The Group's statement of cash flows

	Note	For the year ended 30 June 2020		For the year ended 30 June 2019	
		USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Operating activities					
Profit before income tax		9,243	37,776	2,343	9,529
Adjustments for:					
Depreciation	7	1,178	4,814	373	1,515
Amortisation		2	8	5	20
Interest income		(29)	(119)	(12)	(48)
Interest expense		6,612	27,023	3,466	14,094
Unrealised foreign exchange loss/(gain)		10	41	(1,518)	(6,171)
Gain on disposal of property, plant and equipment		(5)	(20)	(4)	(15)
Operating profit before working capital changes		17,011	69,523	4,653	18,924
Changes in working capital:					
Trade and other receivables		7,137	29,212	(9,958)	(40,489)
Contract assets		(37,888)	(155,076)	(46,325)	(188,356)
Inventories		(4,335)	(17,743)	-	-
Amount due to holding company		3,334	13,646	58,993	239,865
Amounts due from/to related parties		13,259	54,269	(27,088)	(110,141)
Trade and other payables		1,665	6,815	(40,185)	(163,385)
Cash generated from/(used in) operations		183	646	(59,910)	(243,582)
Interest received		29	119	12	48
Interest paid		(367)	(1,500)	(204)	(830)
Income tax paid		(874)	(3,572)	(3,025)	(12,301)
Net cash used in operating activities		(1,029)	(4,307)	(63,127)	(256,665)

The Group's statement of cash flows (continued)

	Note	For the year ended 30 June 2020		For the year ended 30 June 2019	
		USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Investing activities					
Acquisitions of property, plant and equipment	7	(14,183)	(57,966)	(707)	(2,873)
Acquisition of intangible assets		(4)	(16)	(8)	(33)
Proceeds from disposal of property, plant and equipment		15	61	4	15
Net cash used in investing activities		(14,172)	(57,921)	(711)	(2,891)
Financing activities					
Repayment of borrowings	16.1	(12,290)	(50,229)	(6,658)	(27,073)
Drawdown from borrowings	16.1	25,598	104,619	82,811	336,708
Payment of lease liabilities	16.1	(67)	(274)	-	-
Placement of fixed deposits		(487)	(1,990)	(450)	(1,830)
Interest paid		(5,368)	(21,939)	(2,766)	(11,248)
Net cash from financing activities		7,386	30,187	72,937	296,557
Net change in cash and cash equivalents					
		(7,815)	(32,041)	9,099	37,001
Cash and cash equivalents, beginning of year		9,662	39,288	563	2,288
Translation exchange difference		-	313	-	1
Cash and cash equivalents, end of year	13	1,847	7,560	9,662	39,288

The Company's statement of cash flows

	Note	For the year ended 30 June 2020		For the year ended 30 June 2019	
		USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Operating activities					
Profit before income tax		9,273	37,901	2,356	9,579
Adjustments for:					
Depreciation	7	1,178	4,814	373	1,517
Amortisation		2	8	5	20
Interest income		(29)	(119)	(12)	(48)
Interest expense		6,612	27,023	3,466	14,094
Unrealised foreign exchange loss/(gain)		10	41	(1,518)	(6,171)
Gain on disposal of property, plant and equipment		(5)	(20)	(4)	(15)
Operating profit before working capital changes		17,041	69,648	4,666	18,976
Changes in working capital:					
Trade and other receivables		7,152	29,273	(9,958)	(40,489)
Contract assets		(37,888)	(155,076)	(46,325)	(188,356)
Inventories		(4,335)	(17,743)	-	-
Amount due to holding company		3,334	13,646	58,993	239,865
Amounts due from/to related parties		13,251	54,236	(27,088)	(110,141)
Amounts due from a subsidiary		(37)	(151)	-	-
Trade and other payables		1,667	6,823	(40,188)	(163,401)
Cash generated from/(used in) operations		185	656	(59,900)	(243,546)
Interest received		29	119	12	48
Interest paid		(367)	(1,500)	(204)	(830)
Income tax paid		(874)	(3,572)	(3,025)	(12,301)
Net cash used in operating activities		(1,027)	(4,297)	(63,117)	(256,629)

The Company's statement of cash flows (continued)

	Note	For the year ended 30 June 2020		For the year ended 30 June 2019	
		USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Investing activities					
Acquisitions of property, plant and equipment	7	(14,183)	(57,966)	(707)	(2,873)
Acquisition of intangible assets		(4)	(16)	(8)	(33)
Investment in a subsidiary		(10)	(41)	-	-
Proceeds from disposal of property, plant and equipment		15	61	4	15
Net cash used in investing activities		(14,182)	(57,962)	(711)	(2,891)
Financing activities					
Repayment of borrowings	16.1	(12,290)	(50,229)	(6,658)	(27,073)
Drawdown from borrowings	16.1	25,598	104,619	82,811	336,708
Payment of lease liabilities	16.1	(67)	(274)	-	-
Placement of fixed deposits		(487)	(1,990)	(450)	(1,830)
Interest paid		(5,368)	(21,939)	(2,766)	(11,248)
Net cash from financing activities		7,386	30,187	72,937	296,557
Net change in cash and cash equivalents		(7,823)	(32,072)	9,109	37,037
Cash and cash equivalents, beginning of year		9,646	39,222	537	2,183
Translation exchange difference		-	312	-	2
Cash and cash equivalents, end of year	13	1,823	7,462	9,646	39,222

Notes to the financial statements

1 General information

Pestech (Cambodia) Plc was incorporated on 5 February 2010 as a single member private company and is a wholly owned subsidiary of Pestech International Berhad, a company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is registered with Cambodia's Ministry of Commerce ("MOC") under company registration number 00000957, with a registered capital of USD 7,100,000, consisting of 71,000,000 shares, with a par value of USD0.10 per share.

The principal activity of the Company is to engage in the construction of electrical sub-stations and transmission lines.

Pestech (Myanmar) Limited ("the subsidiary") was incorporated as a private limited company which is 99.99% owned by the Company under registration No. 117938093 dated 24 March 2017 issued by the Government of the Republic of the Union of Myanmar, Ministry of Planning and Finance.

Pestech Hinthar Corporation Limited was incorporated as a private limited company which is 60%-owned by Pestech (Myanmar) Limited under Myanmar Companies Law 2017 on 24 June 2019. The registered share capital is USD50,000 comprising 50,000 ordinary shares.

Pestech Microgrid Company Limited was incorporated as a private limited company which is 90.00% owned by Pestech Hinthar Corporation Limited under Myanmar Companies Law 2017 on 14 February 2020. The issued share capital is USD10,000 comprising 10,000 ordinary shares.

The Company considers Pestech Hinthar Corporation Limited and Pestech Microgrid Company Limited as indirect subsidiaries.

The principal activities of the subsidiaries are set out in note 9 to the financial statements.

The registered office of the Company is located at No. 6, Street 588, Sangkat Boeung Kok II, Khan Toul Kork, Phnom Penh, Kingdom of Cambodia. The registered offices of the direct/indirect subsidiaries are located at Unit 01-05, Level 10, Junction City Office Tower, corner of 27 street and Bogyoke Aung San Road, Pabedan Township, Yangon, Myanmar and Thapyaynyo Street, No. 3E, Shinsawpu Ward, Sannchaung Township Yangon, Republic of the Union of Myanmar, respectively.

There have been no significant changes in the nature of the Company's and its subsidiaries' activities during the reporting period.

2 Statement of compliance with Cambodian International Financial Reporting Standard (“CIFRSs”)

The financial statements of the Group and of the Company have been prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”). CIFRSs are equivalent to full International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Boards (“IASB”) because IFRS are adopted by the National Accounting Council (“NAC”) without modification as CIFRSs.

3 Changes in accounting policies

3.1 Standards, amendments and interpretations to existing standards that are effective and adopted by the Group and the Company as at 1 July 2019

CIFRS 16 ‘Leases’

CIFRS 16 ‘Leases’ replaced CIAS 17 ‘Leases’ along with three Interpretations (IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 ‘Operating Leases-Incentives’ and SIC 27 ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’).

The adoption of this new Standard has resulted in the Group and the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting CIFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

At this date, the Group and the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group and the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of CIFRS 16.

The Group and the Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The following is a reconciliation of the financial statements line items from CIAS 17 to CIFRS 16 at 1 July 2019:

	Carrying amount at 30 June 2019 USD’000	Effects of adoption of CIFRS 16 USD’000	Carrying amount at 1 July 2019 USD’000
Right-of-use asset	-	162	162
Lease liabilities	-	(162)	(162)
Total	-	-	-

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

	USD’000
Total operating lease commitments disclosed at 30 June 2019	176
Operating lease liabilities before discounting	176
Discounted using incremental borrowing rate	(14)
Operating lease liabilities	162

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group and the Company

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- CIFRS 17 Insurance Contracts
- Definition of a Business (Amendments to CIFRS 3)
- Definition of Material (Amendments to CIAS 1 and CIAS 8)
- Conceptual Framework for Financial Reporting

4 Summary of significant accounting policies

4.1 Basis of preparation

The financial statements of the Group and the Company, which are expressed in United States Dollars ("USD"), are prepared under the historical cost convention and drawn up in accordance with CIFRSs. USD are rounded to the nearest thousands and Khmer Riel ("KHR") are rounded to the nearest millions.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4.2 Functional and presentation currency

The national currency of Cambodia is the KHR. However, as the Group and the Company transact their business and maintain their accounting records primarily in USD, management has determined the USD to be the Group's and the Company's currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Group and of the Company.

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

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

	2020	2019
Average rate	4,087	4,052
Closing rate	4,093	4,075

4.3 Basis of consolidation

The Group's financial statements consolidate those of the parent company and of its subsidiaries. The Company obtains and exercises control through ownership of more than half of the voting rights of its subsidiaries.

Unrealised gains and losses on transactions between Group companies are eliminated. When unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment. Amounts reported in financial statements of the subsidiaries has been adjusted, where necessary, to ensure consistency with the accounting policies adopted by the Group.

Profit or loss of the subsidiaries acquired or disposed of during the period are recognised from the effective date of acquisition or up to the effective date of disposal as applicable.

4.4 Revenue recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied i.e., when the “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group’s and the Company’s customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as value-added taxes or goods and services taxes.

If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

The control over the goods or services is transferred over time and revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group’s and the Company’s performance as the Group and the Company perform;
- the Group’s and the Company’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group’s and the Company’s performance does not create an asset with an alternative use and the Group and the Company has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at a point in time.

The Group and the Company recognise revenue from construction over time if it creates an asset with no alternative use and the Group and the Company has an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of the performance obligation is measured based on the Group’s and the Company’s efforts or inputs to the satisfaction of the performance obligation (e.g. by reference to the survey of work performed, i.e. the stage of completion).

Revenue from construction and operation contracts is recognised on the percentage of completion method which is assessed through a combination of an expert evaluation, and through consideration of contract costs incurred compared to the total estimated costs provided there are no significant uncertainties with respect to the ultimate receipt of the proceeds and the associated costs can be reasonably determined.

Where the outcome of a development cannot be reasonably estimated, revenue is recognised to the extent of construction costs incurred that is probable will be recovered, and the construction costs shall be recognised as expenses in the period in which they are incurred.

When it is probable that total costs will exceed total revenue, the foreseeable loss is immediately recognised in the profit or loss irrespective of whether construction has commenced or not, or of the stage of completion of construction activity, or of the amounts of profits expected to arise on other unrelated contracts.

The excess of revenue recognised in the profit or loss over the billings to contract customers is recognised as contract assets.

The excess of billings to contract customers over revenue recognised in the profit or loss is recognised as contract liabilities.

Other revenue earned by the Group and the Company represent interest income which is recognised on a time proportion basis.

Services rendered

Revenue from engineering services rendered is recognised in the profit or loss when the service is performed.

Sale of materials

Revenue from sale of materials is recognised when the Group and the Company have transferred the control of materials to the buyer, generally when the customer has taken undisputed delivery of the materials.

To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Notional income on unwinding of discounting

Notional income on unwinding of discounting of construction receivable is accrued on a time proportion basis taking into consideration the outstanding receivables and the effective applicable discount rate.

The amount is derived from the difference of the present value of future revenue and the revenue recognised over the construction period.

4.5 Operating expenses

Operating expenses are recognised in the profit or loss in the year in which they are incurred.

4.6 Property, plant and equipment

All items of property, plant and equipment are initially stated at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and to the Company, and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to the profit or loss during the financial year in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Depreciation

Depreciation is calculated using the straight-line method at the following annual rates:

	Rate
Equipment	4% - 10%
Motor vehicles	20%
Computers	30%
Furniture and fittings	20%

The residual values, useful life and depreciation method are reviewed at each financial year to ensure that the amount, method and years of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit or loss in the year which the asset is disposed of. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the disposed assets. Gains and losses are included in the profit or loss.

4.7 Impairment testing of non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's and the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce first the carrying amount of any intangible assets allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge would be reversed if the cash-generating unit's recoverable amount exceeded its carrying amount.

4.8 Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expired, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs, where applicable.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

The classification is determined by both:

- the Group's and the Company's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

At the reporting date, the Group and the Company only carry financial assets measured at amortised cost on their statements of financial position.

Financial assets – subsequent measurement

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's and the Company's trade and certain other receivables, amounts due from related parties, amounts due from a subsidiary and cash and cash equivalents fall into this category of financial instruments.

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expired or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received together with any cumulative gain or loss that has been recognised in equity is recognised in the profit or loss.

Financial assets - impairment

CIFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces CIFRS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under CIFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group and the Company first identifying a credit loss event. Instead, the Group and the Company consider a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables and contract assets

The Group and the Company make use of a simplified approach in accounting for trade receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group and the Company use their historical experience, external indicators and forward-looking information to calculate the expected credit losses using external benchmarking approach.

The Group and the Company assess impairment of trade receivables and contract assets on a collective basis as the customers shared similar credit characteristics. A detailed analysis of how the impairment requirements of CIFRS 9 are applied is in Note 27 to the financial statements.

Financial liabilities – classification and measurement

The Group's and the Company's financial liabilities comprise trade and other payables, amount due to holding company, amounts due to related parties, borrowings and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group and the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Company designate certain derivatives as either:

- (i) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (ii) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (iii) Hedges of a net investment in a foreign operation (net investment hedge).

At inception of the hedge relationship, the Group and the Company document the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group and the Company document its risk management objective and strategy for undertaking its hedge transactions.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 28 to the financial statements. Movements on the hedging reserve in other comprehensive income are shown in the statement of changes in equity of the financial statements. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the profit or loss within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the profit or loss within 'other gains/(losses) - net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the profit or loss within 'finance cost'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used and is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within 'other gains/(losses) - net'. Where the Group and the Company exclude the foreign currency basis spread the designation of derivatives used as hedging instruments, the change in the foreign currency basis spread of the hedging instrument is recognised in other comprehensive income and accumulated in costs of hedging reserve within equity. The Group and the Company designate the cost of hedging application in relation to foreign currency basis spread on a hedge by hedge basis.

Amounts accumulated in equity (including the cost of hedging reserve) are reclassified to profit or loss in the periods when the hedged cash flows affects the profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the profit or loss within 'finance cost'. The gain or loss relating to the ineffective portion is recognised in the profit or loss within 'other gains/(losses) - net'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged cash flows affect profit or loss.

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within 'other gains/(losses) - net'.

Gains and losses accumulated in equity are included in the profit or loss when the foreign operation is partially disposed or disposed.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in 'other gains/(losses) - net'.

4.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of acquiring construction materials including cost incurred in bringing each item to their present location and condition are accounted using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost to sell or the current replacement cost of the asset.

4.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks, as well as other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

4.11 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued. Retained earnings include all current and prior periods' retained earnings.

Capital contribution reserve represents the fair value of the shares granted under the share grant plan. It is a share-based compensation plan granted by the holding company, Pestech International Berhad to the employees of the Company. The fair value of shares granted is measured at the fair value of grant date and is recognised as an employee benefit expense with corresponding increase in equity.

4.12 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group or the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group or the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group or the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those case where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

Possible inflows of economic benefits to the Group or the Company that do not yet meet the recognition criteria of an asset are considered as contingent assets.

4.13 Income taxes

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

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the Group's and the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group and the Company have a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in the profit or loss, except where they relate to items that are recognised in other profit or loss (such as revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other profit or loss or equity, respectively.

4.14 Leases

Accounting policy applicable from 1 July 2019

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the lease asset transfers to the Group and the Company at the end of the lease term or cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment as detailed in Note 5 to the financial statements.

Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments included fixed payments (including in-substance fixed payments) less any incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term lease

The Group and the Company apply the short-term lease recognition exemption to its short-term lease. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Accounting policy applies until 30 June 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

Operating lease

Leases, where the Group and the Company do not assume substantially all the risks and rewards of ownership are classified as operating leases and are not recognised on the statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

4.15 Related parties

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

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

5. Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The transactions of the Group and the Company are conducted under normal business terms and customer receipts and supplier payments are received and paid on a timely basis. There are very limited occasions when management judgement is required.

Recognition of service and construction contract revenues

Recognising construction contract requires significant judgement in determining milestones, actual work performed and the estimated costs to complete the work.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful life of depreciable assets

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

Construction contract

Recognised amounts of construction contract revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. This includes the assessment of the profitability of on-going construction contracts and the older backlog. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

Leases – Estimating the incremental borrowing rate

The Group and the Company cannot readily determine the interest rate implicit in the lease, therefore, they use their incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group and the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group and the Company estimate the IBR using average borrowing rate in Cambodia.

Income tax expense

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

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

6. Going concern

The Group's and the Company's financial statements have been prepared on a going concern basis, the validity of which depends on the continuing support from holding company, Pestech International Berhad, a company incorporated and domiciled in Malaysia. The holding company has pledged to provide the necessary financial support for the Group and the Company to meet their liabilities as and when they fall due.

Management strongly believes that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis given the financial support forthcoming from holding company. The financial statements do not include any adjustments relating to the recoverability and classification of the recorded asset amounts, or to amounts and classification of liabilities that may be necessary should the going concern basis for the preparation of the financial statements of the Group and the Company are not appropriate.

7. Property, plant and equipment

	Equipment	Motor vehicles	Computers	Furniture and fittings	Right-of-use assets	Total	
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	KHR'million (Note 4.2)
Group and Company							
Cost							
As at 30 June 2019	3,187	525	24	31	-	3,767	15,314
Effect of adoption of CIFRS 16	-	-	-	-	162	162	663
At 1 July 2019, as restated	3,187	525	24	31	162	3,929	15,977
Additions	14,105	76	2	-	-	14,183	57,966
Disposals	-	(42)	-	-	-	(42)	(172)
Currency translation difference	-	-	-	-	-	-	190
Balance 30 June 2020	17,292	559	26	31	162	18,070	73,961
Accumulated depreciation							
At 1 July 2019	(1,211)	(268)	(16)	(25)	-	(1,520)	(6,179)
Depreciation	(988)	(112)	(5)	(3)	(70)	(1,178)	(4,814)
Disposals	-	32	-	-	-	32	131
Currency translation difference	-	-	-	-	-	-	(50)
Balance 30 June 2020	(2,199)	(348)	(21)	(28)	(70)	(2,666)	(10,912)
Carrying amount 30 June 2020	15,093	211	5	3	92	15,404	63,049
	Equipment	Motor vehicles	Computers	Furniture and fittings	Right-of-use assets	Total	
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	KHR'mil (Note 4.2)
Group and Company							
Cost							
At 1 July 2018	2,487	541	18	31	-	3,077	12,512
Additions	700	1	6	-	-	707	2,873
Disposals	-	(17)	-	-	-	(17)	(71)
Balance 30 June 2019	3,187	525	24	31	-	3,767	15,314
Accumulated depreciation							
At 1 July 2018	(952)	(180)	(11)	(22)	-	(1,165)	(4,736)
Depreciation	(259)	(105)	(5)	(3)	-	(372)	(1,515)
Disposals	-	17	-	-	-	17	72
Balance 30 June 2019	(1,211)	(268)	(16)	(25)	-	(1,520)	(6,179)
Carrying amount 30 June 2019	1,976	257	8	6	-	2,247	9,135

8 Lease liabilities

The Company has lease contracts for the properties that are used as its office space and staff accommodation for a period of 3 to 5 years, with details as disclosed in note 8.1.

Lease liabilities are presented in the statement of financial position as follows:

	USD'000	30 June 2020 KHR'mil (Note 4.2)
Current	72	295
Non-current	23	94
	95	389

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	USD'000	30 June 2020 KHR'mil (Note 4.2)
At 1 July	162	660
Accretion of interest	9	37
Payments	(76)	(311)
Currency translation difference	-	3
At 30 June	95	389

The weighted average incremental borrowing rate applied to lease liabilities recognised under CIFRS 16 was 7.2%.

8.1 The table below describes the nature of the Group's leasing activities by type of right-of-use assets recognised on the statement of financial position.

	No. of right-of- use assets	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with termination options
Right-of-use assets					
House	5	1 to 2 years	1.5 years	1	1

The details of future minimum lease payments are summarized below:

	Minimum lease payments due			
	Within one year	1-2 years	Total USD'000	Total KHR'mil
				(Note 4.2)
Lease payments	76	24	100	408
Finance charges	(4)	(1)	(5)	(19)
Net present value	72	23	95	389

Lease payments not recognised as a liability

Certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	30 June 2020	
	USD'000	KHR'mil (Note 4.2)
Short-term leases	41	166
	41	166

9 Investment in a subsidiary

	Company		30 June 2019	
	USD	KHR'mil (Note 4.2)	USD	KHR'mil (Note 4.2)
At cost – Unquoted shares				
Balance brought forward	25	102	25	102
Additions	10	41	-	-
	35	143	25	102

Details of the subsidiaries are as follows:

Name	Country of incorporation and operation	Effective interest %		Principal activities
		30 June 2020	30 June 2019	
Pestech (Myanmar) Limited ("PML")	Myanmar	99.99%	99.99%	Provision of project management, electrical substations and transmission line erection, installation, supervision of testing, commissioning and civil works.
<u>Subsidiary of PML</u>				Establish the infrastructure of power sector and promote the power segments such as power generation, power transmission and power distribution.
Pestech Hinthar Corporation Limited ("PHC")	Myanmar	60.00%	60.00%	
<u>Subsidiary of PHC</u>				Provision of microgrid system and other power infrastructure to rural areas in Myanmar.
Pestech Microgrid Company Limited	Myanmar	53.99%	-	

On 24 June 2019, Pestech (Myanmar) Limited incorporated a 60%-owned subsidiary, namely Pestech Hinthar Corporation Limited under Myanmar Companies Law 2017 as a private limited company.

On 14 February 2020, Pestech Hinthar Corporation Limited incorporated a 90%-owned subsidiary, namely Pestech Microgrid Company Limited under Myanmar Companies Law 2017 as a private limited company.

10 Contract assets

	Group and Company			
	USD'000	30 June 2020 KHR'mil (Note 4.2)	USD'000	30 June 2019 KHR'mil (Note 4.2)
Balance at 1 July	179,101	728,223	146,587	595,583
Effects of adoption of CIFRS 15	-	-	(13,811)	(56,156)
Translation difference	-	-	-	41
At 1 July, restated	179,101	728,223	132,776	539,468
Revenue recognised	49,349	201,689	47,406	192,754
Receipts entitled	(11,461)	(46,841)	(1,081)	(4,398)
Translation difference	-	5,065	-	399
Balance at 30 June	216,989	888,136	179,101	728,223

Presented as:

	USD'000	30 June 2020 KHR'mil (Note 4.2)	USD'000	30 June 2019 KHR'mil (Note 4.2)
Current	18,789	76,903	6,042	24,565
Non-current	198,200	811,233	173,059	703,658
	216,989	888,136	179,101	728,223

The contract assets represent the Group's and the Company's right to consideration for work completed on construction contracts but not billed at the reporting date. The amount will be billed according to the billing schedule as stipulated in the construction contracts.

11 Trade and other receivables

	Group			
	USD'000	30 June 2020 KHR'mil (Note 4.2)	USD'000	30 June 2019 KHR'mil (Note 4.2)
Trade receivables	1,391	5,693	7,883	32,051
Deposits	38	156	30	120
Staff advances	23	94	133	543
Financial assets	1,452	5,943	8,046	32,714
Value-added tax	1,301	5,325	447	1,816
Prepayments	914	3,741	2,311	9,398
Non-financial assets	2,215	9,066	2,758	11,214
	3,667	15,009	10,804	43,928

	Company			
	USD'000	30 June 2020 KHR'mil (Note 4.2)	USD'000	30 June 2019 KHR'mil (Note 4.2)
Trade receivables	1,391	5,693	7,883	32,051
Deposits	21	86	30	120
Staff advances	25	103	133	543
Financial assets	1,437	5,882	8,046	32,714
Value-added tax	1,301	5,325	447	1,816
Prepayments	914	3,741	2,311	9,398
Non-financial assets	2,215	9,066	2,758	11,214
	3,652	14,948	10,804	43,928

12 Inventories

	USD'000	30 June 2020 KHR'mil (Note 4.2)
Construction materials	4,335	17,743
	4,335	17,743

13 Cash and bank balances

	Group			
	USD'000	30 June 2020 KHR'mil (Note 4.2)	USD'000	30 June 2019 KHR'mil (Note 4.2)
Cash in banks (a)	4,319	17,678	12,342	50,184
Deposits with licensed banks (b)	1,200	4,912	713	2,897
Cash on hand	5	20	1	5
	5,524	22,610	13,056	53,086

	Company			
	USD'000	30 June 2020 KHR'mil (Note 4.2)	USD'000	30 June 2019 KHR'mil (Note 4.2)
Cash in banks (a)	4,295	17,579	12,326	50,118
Deposits with a licensed bank (b)	1,200	4,912	713	2,897
Cash on hand	5	21	1	5
	5,500	22,512	13,040	53,020

(a) One of the bank accounts has been pledged to syndicated financing facilities as disclosed in note 16(d.2).

(b) Deposits with a licensed bank of the Group have been pledged as security for bank overdraft as disclosed in note 16(a.2). The deposits earn interest income of 4.25%-4.75% per annum.

For the purpose of presenting the statement of cash flows, cash and cash equivalents comprise the following:

	Group			
	30 June 2020		30 June 2019	
	USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Cash and cash equivalents (as above)	5,524	22,610	13,056	53,086
Fixed deposit pledged for borrowings	(1,200)	(4,912)	(713)	(2,897)
Bank overdrafts (note 16)	(2,477)	(10,138)	(2,681)	(10,901)
Cash and cash equivalents per statement of cash flows	1,847	7,560	9,662	39,288

	Company			
	30 June 2020		30 June 2019	
	USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Cash and cash equivalents (as above)	5,500	22,512	13,040	53,020
Fixed deposit pledged for borrowings	(1,200)	(4,912)	(713)	(2,897)
Bank overdrafts (note 16)	(2,477)	(10,138)	(2,681)	(10,901)
Cash and cash equivalents per statement of cash flows	1,823	7,462	9,646	39,222

14 Share capital

	Group and Company					
	Number of shares '000		Amount			
	2020	2019	2020	2019		
			USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Authorised, issued and fully paid – par value of USD0.10 per share	71,000	71,000	7,100	28,869	7,100	28,869

14.1 Reserves

	Group and Company			
	30 June 2020		30 June 2019	
	USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Capital contribution reserve	52	213	52	212
Cash flow hedge reserve (note 18)	(5,867)	(24,014)	(1,824)	(7,417)
Currency translation difference	-	72	-	-
	(5,815)	(23,729)	(1,772)	(7,205)

Capital contribution reserve represents the fair value of equity-settled share options granted to employees of the Company by its holding company in October 2017. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options and is reduced upon the expiry of the share options or payment made to the holding company.

15 Trade and other payables

	Group			
	USD'000	30 June 2020 KHR'mil (Note 4.2)	USD'000	30 June 2019 KHR'mil (Note 4.2)
Trade payables	1,857	7,601	1,463	5,949
Accruals	724	2,963	776	3,155
Provision for project cost	8,070	33,031	5,134	20,873
Other payables	144	589	717	2,917
Financial liabilities	10,795	44,184	8,090	32,894
Taxes payable	63	258	227	922
Non-financial liabilities	63	258	227	922
	10,858	44,442	8,317	33,816

	Company			
	USD'000	30 June 2020 KHR'mil (Note 4.2)	USD'000	30 June 2019 KHR'mil (Note 4.2)
Trade payables	1,857	7,601	1,463	5,949
Accruals	724	2,963	773	3,145
Provision for project cost	8,070	33,031	5,134	20,871
Other payables	144	589	718	2,918
Financial liabilities	10,795	44,184	8,088	32,883
Taxes payable	63	258	227	922
Non-financial liabilities	63	258	227	922
	10,858	44,442	8,315	33,805

16 Borrowings

	Group and Company			
	USD'000	30 June 2020 KHR'mil (Note 4.2)	USD'000	30 June 2019 KHR'mil (Note 4.2)
Current				
Secured:				
Bank overdrafts	2,477	10,138	2,681	10,901
Revolving credit	1,632	6,680	1,499	6,096
Term loans	8,505	34,811	-	-
Total current	12,614	51,629	4,180	16,997
Non-current				
Secured:				
Term loans	100,077	409,615	95,407	387,925
Total non-current	100,077	409,615	95,407	387,925
	112,691	461,244	99,587	404,922

The effective interest rates of the borrowings are as follows:

	Group and Company 2020 %	2019 %
Bank overdrafts (a)	7.2 to 8.5	8.5
Revolving credit (b)	6.3 to 6.5	7.2 to 8.5
Term loans (c)	4.68 to 8	6.3 to 6.5

The above facilities are secured by the following:

Bank overdrafts

(a.1) Granting facilities to the Company under letter of offer dated 17 October 2017.

(a.2) Deposits with a licensed bank of the Company amounting to USD1,200,000 have been pledged as securities for overdraft.

Revolving credit

(b.1) Corporate guarantee from holding company, Pestech International Berhad.

Term loans

(c.1) Assignment of rights and benefits of the Power Transmission Agreement dated 15 March 2017, entered into between the Company and customer;

(c.2) Corporate guarantee from holding company, Pestech International Berhad;

(c.3) Insurance premium covered of the projects;

(c.4) Granting certain direct rights to the Company of the Direct Agreement dated 17 February 2015, entered into between the Company and customer;

(c.5) Pledge of bank account.

16.1 Reconciliation of liabilities arising from financing activities

The changes in the Group's and the Company's liabilities arising from financing activities can be classified as follows:

	Group and Company				
	Cash flows				
	1 July 2019 USD'000	Proceeds USD'000	Repayment USD'000	USD'000	30 June 2020 KHR'mil (Note 4.2)
Revolving credit	1,499	11,672	(11,539)	1,632	6,680
Term loans	95,407	13,926	(751)	108,582	444,426
Lease liabilities	162	-	(67)	95	389
	97,068	25,598	(12,357)	110,309	451,495

17 Deferred tax liability

	Group and Company	
	30 June 2020	
	USD'000	KHR'mil
		(Note 4.2)
Property, plant and equipment		
Beginning balance	-	-
Recognised in profit or loss	453	1,854
30 June 2020	453	1,854

18 Derivative financial instruments

	Group and Company			
	30 June 2020		30 June 2019	
	Notional value		Fair value liabilities	
	USD'000	USD'000	KHR'mil	KHR'mil
			(Note 4.2)	(Note 4.2)
Interest rate swaps	50,000	5,868	24,018	7,417

On 25 October 2018, 27 December 2018 and 31 July 2019, the Company entered into interest rate swap contracts ("IRSs") to hedge the Company's exposure to interest rate risk on its borrowings.

The IRSs entitle the Company to receive interest at floating rates on notional amounts and oblige the Company to pay interest at fixed rates on the same notional amounts, thus allowing the Company to raise borrowings at floating rates and swap into fixed rates.

The changes in fair value of these IRSs that are designated as hedges are included as hedging reserve in equity and continuously released to other comprehensive income/loss until the repayment of the borrowings or maturing of the IRSs, whichever is earlier. For the IRSs that are not designated as hedges, the changes in fair value are recognised in the profit or loss.

19 Revenue

	Group and Company			
	For the year ended		For the year ended	
	30 June 2020		30 June 2019	
	USD'000	KHR'mil	USD'000	KHR'mil
		(Note 4.2)		(Note 4.2)
Rendering of services under construction contract	49,349	201,689	49,650	201,876
Sale of products	324	1,325	7,177	29,182
	49,673	203,014	56,827	231,058

19.1 Disaggregated revenue information

	For the year ended		For the year ended	
	30 June 2020		30 June 2019	
	USD'000	KHR'mil	USD'000	KHR'mil
		(Note 4.2)		(Note 4.2)
Timing of revenue recognition:				
Over time	49,349	201,689	49,650	201,876
Point in time	324	1,325	7,177	29,182
	49,673	203,014	56,827	231,058

20 Operating expenses

	Group			
	For the year ended	For the year ended		
	30 June 2020	30 June 2019		
	USD'000	KHR'mil	USD'000	KHR'mil
		(Note 4.2)		(Note 4.2)
<u>Direct costs</u>				
Raw materials and consumables	23,681	96,784	43,485	176,810
Production overheads	3,845	15,715	5,373	21,847
	27,526	112,499	48,858	198,657
<u>Employee benefit expenses</u>				
Salaries, wages, bonuses and other emoluments	3,518	14,378	1,167	4,745
Other benefits	21	86	19	77
	3,539	14,464	1,186	4,822
Director's remuneration	353	1,443	287	1,167
<u>Amortisation</u>				
Intangible assets	2	8	5	20
<u>Depreciation</u>				
Property, plant and equipment	1,108	4,528	373	1,517
Right of use assets	70	286	-	-
	1,178	4,814	373	1,517
<u>General expenses</u>				
Bank charges	36	147	115	468
Donation	93	380	56	228
Other expenses	105	431	145	590
Management fees	260	1,063	301	1,224
Professional fees	61	249	226	919
Withholding tax	681	2,783	495	2,013
	1,236	5,053	1,338	5,442
	33,834	138,281	52,047	211,625

	Company			
	For the year ended		For the year ended	
	30 June 2020		30 June 2019	
	USD'000	KHR'mil	USD'000	KHR'mil
		(Note 4.2)		(Note 4.2)
<u>Direct costs</u>				
Raw materials and consumables	23,681	96,784	43,485	176,810
Production overheads	3,841	15,698	5,373	21,847
	27,522	112,482	48,858	198,657
<u>Employee benefit expenses</u>				
Salaries, wages, bonuses and other emoluments	3,497	14,292	1,167	4,745
Other benefits	21	86	19	77
	3,518	14,378	1,186	4,822
Director's remuneration	353	1,443	287	1,167
<u>Amortisation</u>				
Intangible assets	2	8	5	20
<u>Depreciation</u>				
Property, plant and equipment	1,108	4,528	373	1,517
Right of use assets	70	286	-	-
	1,178	4,814	373	1,517
<u>General expenses</u>				
Bank charges	35	143	115	468
Donation	93	380	56	228
Other expenses	103	421	144	591
Management fees	260	1,063	301	1,224
Professional fees	59	241	213	866
Withholding tax	681	2,783	495	2,013
	1,231	5,031	1,324	5,390
	33,804	138,156	52,033	211,573

21 Other (losses)/gains

	Group and Company			
	For the year ended		For the year ended	
	30 June 2020		30 June 2019	
	USD'000	KHR'mil	USD'000	KHR'mil
		(Note 4.2)		(Note 4.2)
Unrealised foreign exchange (loss)/gain	(10)	(41)	1,518	6,183
Realised foreign exchange losses	(10)	(41)	(505)	(2,057)
	(20)	(82)	1,013	4,126

22 Finance cost

	Group and Company			
	For the year ended 30 June 2020		For the year ended 30 June 2019	
	USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Interest expense for:				
Term loans	6,148	25,127	3,186	12,956
Bank overdrafts	223	911	203	825
Revolving credit	153	625	77	313
Interest expense charged by related parties	79	323	-	-
Interest expenses related to lease liabilities	9	37	-	-
	6,612	27,023	3,466	14,094

23 Income tax expense

In accordance with Cambodian tax laws, the Company has the obligation to pay tax on income ("Tol") at the rate of 20% of taxable income.

Besides the Tol, taxpayers in Cambodia are subject to a separate minimum tax. The minimum tax is an annual tax with a liability equal to 1% of annual turnover inclusive of all taxes except value-added tax, and is due irrespective of the taxpayer's profit or loss position. The Company pays the higher of Tol or minimum tax.

The Company's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations for many types of transactions is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the tax authorities.

In accordance with the Income Tax Law of the Republic of the Union of Myanmar, the direct/indirect subsidiaries have the obligation to pay corporate income tax at the rate of 25% of taxable income. The subsidiaries are not subject to corporate income tax for the years ended 30 June 2019 and 2020 as they have not started their commercial operation.

23.1 Reconciliation between profit before income tax and taxable income

A reconciliation between accounting profit before income tax and taxable income for the years ended 30 June 2020 and 30 June 2019 follows:

Income tax expense

	Group			
	For the year ended 30 June 2020		For the year ended 30 June 2019	
	USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Accounting profit before tax	9,243	37,776	2,343	9,529
Add:				
Non-deductible expenses	952	3,889	37	152
Taxable profit	10,195	41,665	2,380	9,681
Income tax expense at the applicable tax of rate 20% (A)	2,039	8,333	476	1,936
Minimum tax (B)	496	2,027	568	2,311
Estimated income tax expense (higher of A or B)	2,039	8,333	568	2,311

	Company			
	For the year ended 30 June 2020		For the year ended 30 June 2019	
	USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Accounting profit before tax	9,273	37,901	2,356	9,579
Add:				
Non-deductible expenses	922	3,764	25	101
Taxable profit	10,195	41,665	2,381	9,680
Income tax expense at the applicable tax of rate 20% (A)	2,039	8,333	476	1,936
Minimum tax (B)	496	2,027	568	2,311
Estimated income tax expense (higher of A or B)	2,039	8,333	568	2,311

Income tax expense for the years ended 30 June 2020 and 30 June 2019 consists of:

	Group and Company			
	For the year ended 30 June 2020		For the year ended 30 June 2019	
	USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Current tax expense	1,586	6,482	568	2,311
Deferred tax expense	453	1,851	-	-
Estimated income tax expense	2,039	8,333	568	2,311

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear and subject to interpretation. Often different interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to reviews and investigations by a number of authorities that are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Cambodia, substantially greater than in other countries. Management believes that tax liabilities have been adequately provided for based on its interpretation of tax legislation.

24 Related party balances and transactions

The following balances are outstanding with the related parties:

Related party	Relationship	Group and Company			
		30 June 2020	30 June 2019		
		USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Amounts due from related parties					
Diamond Power Limited	Fellow subsidiary	32	131	674	2,742
Pestech Power Sdn Bhd	Fellow subsidiary	2,300	9,414	1,270	5,164
		2,332	9,545	1,944	7,906
Amounts due to related parties					
Pestech Sdn Bhd	Fellow subsidiary	4,729	19,356	-	-
Enersol Co., Ltd	Fellow subsidiary	27,991	114,567	21,876	88,948
Pestech Energy Sdn Bhd	Fellow subsidiary	862	3,528	-	-
Pestech Transmission Sdn Bhd	Fellow subsidiary	3,085	12,627	1,142	4,641
		36,667	150,078	23,018	93,589
Amount due to holding company					
Pestech International Berhad	Holding company	62,892	257,417	59,558	242,162
Company					
Amount due from a subsidiary					
Pestech (Myanmar) Limited	Subsidiary	38	156	1	4

The amounts due from/to related parties are unsecured, interest free and repayable on demand, subject to the terms in note 6, except for certain amounts due to Pestech International Berhad and Pestech Sdn Bhd bear interest of 6% per annum.

During the year, the following transactions with related parties are recorded:

Related party	Relationship	Transactions	Group and Company			
			For the year ended 30 June 2020		For the year ended 30 June 2019	
			USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Diamond Power Limited	Fellow subsidiary	Operation and maintenance revenue	1,795	7,336	2,406	9,783
Pestech Power Sdn Bhd	Fellow subsidiary	Advances	1,030	4,210	1,270	5,164
Pestech Sdn Bhd	Fellow subsidiary	Contract cost	7,255	29,651	36,501	148,413
		Interest charge	34	139	-	-
Enersol Co., Ltd	Fellow subsidiary	Contract cost	12,635	51,639	38,724	157,450
Pestech Transmission Sdn Bhd	Fellow subsidiary	Contract cost	2,645	10,810	1,141	4,641
Pestech International Berhad	Holding company	Management fee	260	1,063	301	1,225
		Interest charge	44	180	-	-

25 Transactions with key management personnel

Key management personnel remuneration includes the following:

	Group and Company			
	For the year ended 30 June 2020		For the year ended 30 June 2019	
	USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Salaries and bonus	353	1,443	304	1,234

26 Categories of financial instruments

The table below provides an analysis of financial instruments in each categories:

	Group			
	30 June 2020		30 June 2019	
	USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Financial assets				
At amortised cost				
Trade and other receivables	1,452	5,943	8,046	32,714
Cash and cash equivalents	5,524	22,610	13,056	53,086
Amounts due from related parties	2,332	9,545	1,944	7,906
	9,308	38,098	23,046	93,706

	Company			
	30 June 2020		30 June 2019	
	USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Financial assets				
At amortised cost				
Trade and other receivables	1,437	5,882	8,046	32,714
Cash and cash equivalents	5,500	22,512	13,040	53,020
Amounts due from related parties	2,332	9,545	1,944	7,906
Amounts due from a subsidiary	38	156	1	4
	9,307	38,095	23,031	93,644

	Group			
	30 June 2020		30 June 2019	
	USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Financial liabilities				
At amortised cost				
Trade and other payables	10,795	44,184	8,090	32,894
Amount due to holding company	62,892	257,417	59,558	242,162
Amounts due to related parties	36,667	150,078	23,018	93,589
Borrowings	112,691	461,244	99,587	404,922
Derivatives used for hedging				
Derivative financial instruments	5,868	24,018	1,824	7,417
	228,913	936,941	192,077	780,984

		Company		
	USD'000	30 June 2020	USD'000	30 June 2019
		KHR'mil		KHR'mil
		(Note 4.2)		(Note 4.2)
Financial liabilities				
At amortised cost				
Trade and other payables	10,795	44,184	8,088	32,883
Amounts due to holding company	62,892	257,417	59,558	242,162
Amounts due to related parties	36,667	150,078	23,018	93,589
Borrowings	112,691	461,244	99,587	404,922
Derivatives used for hedging				
Derivative financial instruments	5,868	24,018	1,824	7,417
	228,913	936,941	192,075	780,973

27 Risk management objectives and policies

Financial risk

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The financial risk management policy is established to ensure that adequate resources are available for the development of the Group's and the Company's business whilst managing its credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the Company and their policies in respect of the major areas of treasury activities are set out below:

(a) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

It is the Group's and the Company's policy to enter into financial instruments with creditworthy counterparties. The Group and the Company do not expect to incur material credit losses of their financial assets or other financial instruments.

The concentration of credit risk exists when changes in economic, industry and geographical factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's and the Company's total credit exposure. The Group's and the Company's transactions are entered into with creditworthy counterparties, thereby mitigating any significant concentration of credit risk.

The areas where the Group and the Company are exposed to credit risk are as follows:

Receivables and contract assets

The net carrying amount of receivables is considered a reasonable approximation of fair value.

In measuring the expected credit losses, trade and other receivables and contract assets have been assessed individually by benchmarking the risk characteristics of customers to external rating as published by international credit rating agency, and the corresponding default rates are being used to compute ECL.

The customers have been rated as "AAA" as the Company did not incur any losses from this customer in the past hence a 0% default rate is used. As such, the ECL is nil as at 30 June 2020.

Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable local banks.

Financial instruments used in hedging activities

The Group and the Company are exposed to credit-related losses in the event of non-performance by counterparties to financial derivative instruments, but do not expect any counterparties to fail to meet their obligations.

(b) Liquidity risk

Liquidity of funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The liquidity risks arise principally from their borrowings, trade and other payables and payables to related parties.

Analysis of financial instruments by contractual maturities

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date:

Group and Company

30 June 2020	On demand or within 1 year USD'000	1 to 5 years USD'000	More than 5 years USD'000	Total contractual cash flows USD'000	KHR'mil (Note 4.2)
Trade and other payables	10,795	-	-	10,795	44,184
Amount due to holding company	62,892	-	-	62,892	257,417
Amounts due to related parties	36,667	-	-	36,667	150,078
Lease liabilities	76	23	-	99	405
Borrowings	19,135	94,403	27,099	140,637	575,627
	129,565	94,426	27,099	251,090	1,027,711

Group

30 June 2019	On demand or within 1 year USD'000	1 to 5 years USD'000	More than 5 years USD'000	Total contractual cash flows USD'000	KHR'mil (Note 4.2)
Trade and other payables	8,090	-	-	8,090	32,894
Amount due to holding company	59,558	-	-	59,558	242,162
Amounts due to related parties	23,018	-	-	23,018	93,589
Borrowings	10,823	74,011	49,314	134,148	545,444
	101,489	74,011	49,314	224,814	914,089

Company

30 June 2019	On demand or within 1 year USD'000	1 to 5 years USD'000	More than 5 years USD'000	Total contractual cash flows USD'000	KHR'mil (Note 4.2)
Trade and other payables	8,088	-	-	8,088	32,883
Amount due to holding company	59,558	-	-	59,558	242,162
Amounts due to related parties	23,018	-	-	23,018	93,589
Borrowings	10,823	74,011	49,314	134,148	545,444
	101,487	74,011	49,314	224,812	914,078

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

Interest rate sensitivity analysis

The Group and the Company are exposed to changes in market interest rates through bank loans at variable interest rates. Below is the Group's and the Company's interest rate profile of the significant interest-bearing financial instruments, based on carrying amounts as at the reporting date:

	Group and Company			
	30 June 2020 USD'000	KHR'mil (Note 4.2)	30 June 2019 USD'000	KHR'mil (Note 4.2)
Floating rate instrument				
Financial liabilities				
Borrowings	62,691	256,594	74,587	303,272
Net financial liabilities	62,691	256,594	74,587	303,272

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 0.25%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	USD'000	Group and Company profit for the year		USD'000	KHR'mil (Note 4.2)
		+0.25%	-0.25%		
		KHR'mil (Note 4.2)	KHR'mil (Note 4.2)		
For the year ended 30 June 2020	(157)	(642)	157		642
For the year ended 30 June 2019	(186)	(756)	186		756

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The foreign currency exchange risk of the Group arises from the transactions denominated in foreign currency, Ringgit Malaysia ("RM").

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the year was:

	30 June 2020		30 June 2019	
	USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Denominated in RM				
Amount due to holding company	-	-	59,557	242,162
Amounts due to related party	41	168	1,141	4,641
	41	168	60,698	246,803

Foreign currency sensitivity analysis:

The following table demonstrates the sensitivity of the Group's and of the Company's profit for the year to as +/- 5% change in the RM at the reporting year against the respective functional currency of the Group and of the Company, with all variables held constant:

	Group and Company		For the year ended	
	For the year ended	For the year ended	For the year ended	For the year ended
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
RM/USD				
Strengthened	(2)	(8)	(3,034)	(12,340)
Weakened	2	8	3,034	12,340

28 Fair value of financial instruments

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identified assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (level 3).

Financial liabilities	Group and Company	
	Carrying amount USD'000	Level 2 USD'000
Derivative financial instruments	5,868	5,868
	5,868	5,868

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of interest rate swaps which is calculated as the present value of the estimated future cash flows based on observable yield curves.

29 Contingencies and commitments

(a) Capital commitments

	Group and Company			
	30 June 2020		30 June 2019	
	USD'000	KHR'mil (Note 4.2)	USD'000	KHR'mil (Note 4.2)
Authorised and contracted for:				
Property, plant and equipment	-	-	151	612

(b) Insurance commitments

The Company has committed to purchase a 10-year political risk insurance for the construction of 230kV Stung Tatay Hydro Power Plant-Phnom Penh Transmission System Project for a total amount of USD4,968,600 to secure the borrowing facility as disclosed in note 16c.3. As at 30 June 2020, the amount yet to be paid amounted to USD4,216,762.

30 Contingencies

Contingent liabilities

In 2011, the GDT issued a Notice of Tax Reassessment to the Company to claim a purportedly undeclared prepayment profit tax and value-added tax amounting to USD546,971 (KHR2,222,344,011) pertaining to the period from 1 May 2011 to 31 July 2011.

In 2015, The GDT issued a Notice of Tax Reassessment to the Company to claim a purportedly undeclared prepayment profit tax and value-added tax amounting to USD490,912 (KHR1,994,575,785) pertaining to the period from 10 January 2013 to 16 October 2013.

In 2017, The GDT issued a Notice of Tax Reassessment to the Company to claim a purportedly undeclared prepayment profit tax, value-added tax and 14% withholding tax on service amounting to USD267,956 (KHR1,088,704,839) for the 2010 comprehensive tax audit.

In response, the Company has filed protest letters to the GDT to contest the misinterpreted reassessments. Management considers these assessment letters to be of no basis and unjustified and the probability that they will be required to settle the assessed taxes to be remote. The protest is still pending as at the date of these financial statements.

31 Capital management

The primary objective of the Group's and the Company's capital management is to ensure that it maintains an adequate capital ratio in order to support its business and maximise shareholder value.

The Group and the Company manage their capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividends payable to shareholder, return capital to shareholder or issue new capital. No changes were made in the objectives, policies or processes for the years ended 30 June 2020 and 30 June 2019.

32 Comparative figures

The Group and the Company have changed their presentation of expenses in the statement of profit or loss and other comprehensive by nature instead of by function, as the management believes that it is more appropriate to disclose their financial performance under this method. Hence, certain information presented in the statement of profit or loss and other comprehensive income for the year ended 30 June 2019 were reclassified to conform with the current year's presentation of accounts. These reclassifications are summarised below:

Statement of profit or loss and other comprehensive income for the year ended 30 June 2019

	As previously reported USD'000	Reclassification USD'000	USD'000	As restated KHR'mil (Note 4.2)
Group				
Cost of sales and construction	(49,770)	49,770	-	-
Operating expenses	(2,277)	(49,770)	(52,047)	(211,625)
Company				
Cost of sales and construction	(49,770)	49,770	-	-
Operating expenses	(2,263)	(49,770)	(52,033)	(211,573)

33 Post-reporting date significant events

On 12 August 2020, the Company has completed its initial public offering exercise and listed its shares to be traded on the main market of Cambodia Securities Exchange.

34 Authorisation of the financial statements

The Group's and the Company's financial statements for the year ended 30 June 2020 were approved for issue by the respective Board of Directors on 25 September 2020.