

Skateistan Cambodia Association

Management report
and
Audited special purpose financial statements

as at 31 December 2016 and for the year then ended

Skateistan Cambodia Association

CONTENTS

	<i>Pages</i>
MANAGEMENT REPORT	1 - 2
AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS	
Independent auditor's report	3 - 4
Statement of incomes and expenses	5
Balance sheet	6
Notes to the special purpose financial statements	7 - 16

Skateistan Cambodia Association

REPORT OF MANAGEMENT (continued)

STATEMENT OF MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS

Management is responsible for the special purpose financial statements which are prepared, in all material respects, to present the financial position of the Organization as at 31 December 2016, and its income and expenses for the year then ended in accordance with the accounting policies described in Note 2 to the special purpose financial statements. In preparing these special purpose financial statements, management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the special purpose financial statements on a going concern basis unless it is inappropriate to assume that the Organization will continue operations in the foreseeable future; and,
- set overall policies for the Organization, ratify all decisions and actions that have a material effect on the operations and performance of the Organization, and ensure they have been properly reflected in the special purpose financial statements.

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

Management has confirmed that the Organization has complied with the above requirements in preparing the accompanying special purpose financial statements.

APPROVAL OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS

We hereby approve the accompanying special purpose financial statements which are prepared, in all material respects, to present the financial position of the Organization as at 31 December 2016, and its income and expenses for the year then ended in accordance with the accounting policies described in Note 2 to the special purpose financial statements.

On behalf of the Management:



Benjamin Pecqueur
Country Manager

Phnom Penh, Kingdom of Cambodia

31 March 2017

Skateistan Cambodia Association

REPORT OF MANAGEMENT (continued)

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On behalf of the Management:

Benjamin Pecqueur
Country Manager

Phnom Penh, Kingdom of Cambodia

31 March 2017



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INDEPENDENT AUDITORS' REPORT

To: The Management of Skateistan Cambodia Association

Opinion

We have audited the special purpose financial statements of Skateistan Cambodia Association ("the Organization"), which comprise the balance sheet as at 31 December 2016, and the statement of incomes and expenses for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the special purpose financial statements of the Organization as at 31 December 2016 and for the year then ended are prepared, in all material respects, in accordance with the accounting policies described in Note 2 to the special purpose financial statements.

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements* section of our report. We are independent of the Organization in accordance with the sub-decree on the Code of Ethics for Professional Accountants and Auditors promulgated by the Royal Government of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Use

We draw attention to Note 2 to the special purpose financial statements, which describes the basis of accounting. The special purpose financial statements are prepared to assist the management of the Organization to comply with the financial reporting requirements of its donors. As a result, the special purpose financial statements may not be suitable for another purpose. Our auditor's report is intended solely for the information and use of the Organization and should not be used by parties other than the specified parties. Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Special Purpose Financial Statements

Management is responsible for the preparation of these special purpose financial statements in accordance with the accounting policies described in Note 2 to the special purpose financial statements, and for such internal control as management determines necessary to enable the preparation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

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

Management is responsible for overseeing the Organization's financial reporting process.



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Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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 special purpose financial statements.

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

- Identify and assess the risks of material misstatement of the special purpose 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization'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 special purpose 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 Organization to cease to continue as a going concern.

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

Sinratana Lan
Partner

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

Phnom Penh, Kingdom of Cambodia

31 March 2017

Skateistan Cambodia Association

STATEMENT OF INCOMES AND EXPENSES for the year then ended 31 December 2016

	<i>Notes</i>	<i>2016</i> <i>US\$</i>	<i>2015</i> <i>US\$</i>
INCOMES			
Grant	3	156,888	96,320
Contributions	4	7,680	10,210
Donations	5	1,825	7,491
Income from sale of branded items	6	245	900
Other income		-	723
		166,638	115,644
EXPENSES			
Staff cost	7	76,000	49,050
Rental	8	17,208	16,661
Supplies	9	10,069	11,074
Travel		9,824	7,766
Insurance		5,607	3,773
Professional fees		5,130	7,456
Depreciation	15	2,234	3,943
Bank charges		2,083	518
Repairs and maintenance		1,943	1,143
Fuel		1,006	557
Utilities		888	2,052
Communication		879	646
Events		869	734
Reimbursements		-	6,512
Others		2,771	3,166
		136,511	115,051
EXCESS OF INCOMES OVER EXPENSES		30,127	593

Skateistan Cambodia Association

BALANCE SHEET
as at 31 December 2016

	<i>Notes</i>	<i>2016</i> <i>US\$</i>	<i>2015</i> <i>US\$</i>
ASSETS			
Current assets			
Cash	10	9,925	43,267
Lease deposits	11	3,894	4,380
Prepayments	12	1,395	4,132
Other receivables	13	51,804	4,161
Other assets	14	9,082	9,301
		<u>76,100</u>	<u>65,241</u>
Non-current assets			
Property and equipment	15	2,908	3,103
TOTAL ASSETS		<u>79,008</u>	<u>68,344</u>
LIABILITIES AND FUND BALANCE			
Current liabilities			
Deferred income	16	9,504	31,092
Other payable	17	6,082	3,957
		<u>15,586</u>	<u>35,049</u>
Fund balance			
Beginning fund balance		33,295	32,702
Excess of incomes over expenses		30,127	593
	18	<u>63,422</u>	<u>33,295</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>79,008</u>	<u>68,344</u>

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
as at 31 December 2016 and for the year then ended

1. THE ORGANIZATION'S BACKGROUND

Skateistan Cambodia is a local non-governmental organization that received official registration from the Ministry of Interior of the Royal Government of Cambodia on 19 April 2012.

The Organization is based in Phnom Penh that uses skateboarding and other creative activities to engage and empower youth. The Organization works with youth aged 5 - 25 from diversified backgrounds, with a focus on disadvantaged and street working children. Through regular skateboarding lessons and events, the Organization equips boys and girls with the confidence to lead their communities toward social change and development.

The Organization's registered office is at No. 26, Street 135, Sangkat Phsar Doeurn Tkov, Khan Chamkar Morn, Phnom Penh, Kingdom of Cambodia.

The Organization has 9 employees as at 31 December 2016 (2015: 9 employees).

The special purpose financial statements were approved for issue by management on 31 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The special purpose financial statements of the Organization, expressed in United States dollar ("US\$"), have been prepared based on the historical cost convention under the accrual basis of accounting.

The accounting policies set out below have been consistently applied by the Organization during the year.

Fiscal year

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

Accounting currency

The Organization maintains its accounting records in US\$. Monetary assets and liabilities in currencies other than US\$ are translated into US\$ at the rates of exchange ruling at the balance sheet date and transactions in currencies other than US\$ are translated into US\$ at the rates of exchange prevailing on the transaction date. Exchange differences are dealt within the statement of income and expenses.

Recognition of revenue

Income

The Organization classifies its income into five categories: grant income, donations, contributions, earned income and other income.

Grant income

This represents fund received from donors according to the respective grant agreement entered between the Organization and the donors. Grant income is recognized in the period in which the performance conditions imposed by the grant are met.

Contributions

Contributions represent the property, tools and equipment received from donors that the Organization has already used during the year.

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of revenue (continued)

Donations

Donations are funds received from visitors or individuals interested in supporting general and specific activities of the Organization. Donations are recognized on a receipt basis.

Sale of branded items

This represents income generated from sale of Skateistan T-shirts to visitors who have visited the Organization. Income from such sale is recognized when the goods are delivered to the customer and the proceeds from the transaction are received.

Recognition of expenditure

All expenditures are accounted for on an accrual basis. Under this basis, all expenditures are recorded as use of fund when incurred rather than when paid.

Cash

Cash consists of cash on hand and in banks that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Lease deposits

Lease deposits represent amounts deposited for future services such as house rental and internet.

Prepayments

Prepayments represent monthly rental amounts prepaid to lessors which are amortised over the period of benefit.

Other receivables

Other receivables represent amounts collectable from related parties, third-parties and others.

Other assets

Other assets represent skateboarding tools and equipment received as donation from Skateistan Head Quarter in Germany. Donated goods are recognized at fair value on the date of receipt based on reliable source of information such as supplier invoices, agreements or available market value.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The initial cost of an item of property and equipment comprises its purchase price or donated value and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable for operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that it is classified as held-for-sale) and the date the asset is derecognized.

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation is charged to all items of property and equipment so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method.

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

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

	<i>years</i>
Leasehold improvement	5
IT and multimedia equipment	2
Sports equipment	5
Motor vehicles	4
Furniture and fixtures	4

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

Payable and accrual

Payable and accrual are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Organization.

Deferred grant

Deferred grant represents the portion of grant received from a donor that will be used to pay operational expenses in the next coming year. Included also in the balance of this account is the equivalent carrying value of donated fixed assets and skateboarding equipment which will be realized as income from contributions at the same amount of depreciation recognized for these donated assets at each reporting period.

Taxation

The Organization is exempt from income tax as per Article 9 (New) of the Cambodian Law on Taxation, accordingly, no provision for income tax has been made in the special purpose financial statements.

Financial instruments – initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

All financial assets are recognized initially at fair value. The Organization's financial assets include bank balances and receivables from donors.

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognized initially at fair value. There were no financial liabilities of the Organization at year end.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realized the assets and settle liabilities simultaneously.

Fair value of financial instruments

Carrying amounts of financial assets approximate their fair values.

Contingencies

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

Events after the end of the reporting period

Post year-end events that provide additional information about the Organization's position at the reporting period (adjusting events) are reflected in the special purpose financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the special purpose financial statements when material.

3. GRANT INCOME

Grant income comprises funds received from donors which were recognized as income according to the terms of the respective grant agreements, as follows:

	<i>2016</i>	<i>2015</i>
	<i>US\$</i>	<i>US\$</i>
Skateistan gGmbH	95,293	39,100
Laureus Sport for Good Foundation	33,000	33,000
Skateistan USA	18,595	6,198
Games 4 Good Foundation	10,000	10,000
Prince Claus	-	8,022
	<u>156,888</u>	<u>96,320</u>

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

4. CONTRIBUTIONS

Contributions represent depreciation of donated fixed assets and skateboarding equipment from Skateistan gGmbH.

	<i>2016</i> <i>US\$</i>	<i>2015</i> <i>US\$</i>
Skateboarding tools and equipment	7,380	9,596
Information technology equipment	300	614
	<u>7,680</u>	<u>10,210</u>

5. DONATIONS

Donations represent charitable contribution from individuals and other entities.

6. SALE OF BRANDED ITEMS

This represents income generated from sale of Skateistan shirts to the Organization's visitors.

7. STAFF COST

	<i>2016</i> <i>US\$</i>	<i>2015</i> <i>US\$</i>
Salaries	75,277	48,139
Staff training	723	911
	<u>76,000</u>	<u>49,050</u>

8. RENTAL

Rental represents payments for skatepark, guest house and office rental in Cambodia and allocated rental cost from Skateistan in Berlin, Germany.

9. SUPPLIES

Supplies represent skateboarding tools and equipment, learning materials and office stationary.

10. CASH

	<i>2016</i> <i>US\$</i>	<i>2015</i> <i>US\$</i>
Cash in bank	9,805	43,239
Cash on hand	120	28
	<u>9,925</u>	<u>43,267</u>

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

11. LEASE DEPOSITS

Deposits represent amounts deposited for house rental and internet subscription.

12. PREPAYMENTS

Prepayments comprise amounts prepaid for rental and insurance service.

13. OTHER RECEIVABLES

	<i>2016</i>	<i>2015</i>
	<i>US\$</i>	<i>US\$</i>
Skateistan gGmbH	44,035	3,892
The Games 4 Foundation	7,500	-
Unicef	269	269
	<u>51,804</u>	<u>4,161</u>

14. OTHER ASSETS

Other assets represent skateboarding tools and spare parts at year end.

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

15. PROPERTY AND EQUIPMENT

	<i>Leasehold improvement US\$</i>	<i>IT and multimedia equipment US\$</i>	<i>Sports equipment US\$</i>	<i>Motor vehicles US\$</i>	<i>Furniture and fixtures US\$</i>	<i>Total US\$</i>
<i>2016</i>						
Cost						
As at 1 January	697	6,970	4,000	4,864	1,793	18,324
Additions	-	1,185	239	400	509	2,333
Disposals	-	-	-	(588)	-	(588)
As at 31 December	697	8,155	4,239	4,676	2,302	20,069
Less: Accumulated depreciation						
As at 1 January	558	6,844	3,200	3,032	1,587	15,221
Depreciation	139	742	848	302	203	2,234
Disposals	-	-	-	(294)	-	(294)
As at 31 December	697	7,586	4,048	3,040	1,790	17,161
Net book value	-	569	191	1,636	512	2,908

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

15. PROPERTY AND EQUIPMENT (continued)

	<i>Leasehold improvement US\$</i>	<i>IT and multimedia equipment US\$</i>	<i>Sports equipment US\$</i>	<i>Motor vehicles US\$</i>	<i>Furniture and fixtures US\$</i>	<i>Total US\$</i>
<i>2015</i>						
Cost						
As at 1 January	697	6,408	4,000	4,479	1,764	17,348
Additions	-	562	-	1,150	173	1,885
Disposals	-	-	-	(400)	-	(400)
Write-offs	-	-	-	(365)	(144)	(509)
As at 31 December	697	6,970	4,000	4,864	1,793	18,324
Less: Accumulated depreciation						
As at 1 January	418	5,732	2,400	2,381	1,211	12,142
Depreciation	140	1,112	800	1,407	484	3,943
Disposals	-	-	-	(300)	-	(300)
Write offs	-	-	-	(456)	(108)	(564)
As at 31 December	558	6,844	3,200	3,032	1,587	15,221
Net book value	139	126	800	1,832	206	3,103

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

16. DEFERRED INCOME

Deferred income represents the portion of grant received from Skateistan Head Office expected to be utilized in the next coming year.

	<i>2016</i> <i>US\$</i>	<i>2015</i> <i>US\$</i>
Equivalent value of outstanding:		
Skate inventory	9,204	9,120
Donated fixed assets	300	755
T-shirts	-	122
Skateistan USA	-	18,595
Games 4 Good Foundation	-	2,500
	9,504	31,092

17. OTHER PAYABLES

Other payables represent amounts payable to tax authorities and others.

18. FUND BALANCES

	<i>Beginning fund</i> <i>balance</i> <i>US\$</i>	<i>Incomes</i> <i>US\$</i>	<i>Expenses</i> <i>US\$</i>	<i>Ending fund</i> <i>balance</i> <i>US\$</i>
General	29,256	105,043	(86,821)	47,478
Skateistan USA	4,039	18,595	(16,690)	5,944
Games 4 Good Foundation	-	10,000	-	10,000
Laureus Sport for Good Foundation	-	33,000	(33,000)	-
	33,295	166,638	(136,511)	63,422

19. RELATED PARTY DISCLOSURES

Related parties include Skateistan gGmbH and Skateistan USA by virtue of common directorship.

Transactions and balances with related parties during and as at year end are as follows:

	<i>Related party</i>	<i>Relationship</i>	<i>2016</i> <i>US\$</i>	<i>2015</i> <i>US\$</i>
<i>Balance sheet</i>				
Other receivable	Skateistan gGmbH	Head Office	44,035	3,892
Deferred income	Skateistan USA	Affiliate	-	18,595
<i>Statement of incomes and expenses</i>				
Grant received	Skateistan gGmbH	Head Office	95,293	39,100
	Skateistan USA	Affiliate	18,595	6,198
Donated items	Skateistan gGmbH	Head Office	-	5,171

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

20. TAX CONTINGENCY

The taxation system in Cambodia is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Organization could be significant.