

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

**LOLC (CAMBODIA) PLC.
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**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

CONTENTS

| | Page (s) |
|---------------------------------------------------------------|-----------------|
| Directors' report | 1 - 3 |
| Independent auditor's report | 4 - 5 |
| Balance sheet | 6 |
| Income statement | 7 |
| Statement of changes in equity | 8 |
| Cash flow statement | 9 |
| Notes to the financial statements | 10 - 45 |
| APPENDIX: Notes on requirement of the Central Bank's Prakas * | i - viii |

* The Appendix does not form part of the financial statements.



DIRECTORS' REPORT

The Board of Directors ("the Directors") hereby submits their report together with the audited financial statements of LOLC Cambodia Plc. (formerly known as Thaneakea Phum (Cambodia) Ltd.) ("the Company") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to provide micro-finance services (deposit-taking and lending) to the rural population and micro-enterprises through its head office in Phnom Penh and its various branches in the Kingdom of Cambodia. Its corporate objective is to provide reliable and affordable access to financial services to micro-entrepreneurs.

FINANCIAL PERFORMANCE

The financial performance for the year ended 31 December 2015 is set out in the income statement on page 7.

BAD AND DOUBTFUL LOANS

Before the Company's financial statements were drawn up, the Directors took reasonable steps to ascertain that appropriate action had been taken in relation to the writing off of bad loans or making provision for bad and doubtful loans. The Directors have satisfied itself that all known bad loans have been written off and that adequate provisions have been made for bad and doubtful loans.

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

ASSETS

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

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- (a) no charge on the assets of the Company that has arisen since the end of the year that secures the liabilities of any other person; or
- (b) no contingent liability in respect of the Company that has arisen since the end of the year other than in the ordinary course of business.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the year of twelve months after the end of the year that, in the opinion of the Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

There were no items, transactions or events of a material and unusual nature that, in the opinion of the Directors, materially affected the financial performance of the Company for the year end 31 December 2015.

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

THE BOARD OF DIRECTORS

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

- | | |
|-----------------------------------------|--------------------------------------------|
| • Mr. Brindley de Zylva | Chairperson (appointed on 15 October 2015) |
| • Mr. Kithsiri Gunawardena | Chairperson (resigned on 14 October 2015) |
| • Mr. Ravindra Tissera | Member |
| • Mrs. Fernanda Pecanha Lacerda De Lima | Member |
| • Mr. Indrajith Wijesiriwardana | Member |
| • Mr. Hans Michael Theodor Moormann | Member |

RESPONSIBILITIES OF THE BOARD OF DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and its financial performance and cash flows for the year ended. In preparing these financial statements, the Directors are required to:

- i) adopt appropriate accounting policies that are supported by reasonable and prudent judgements and estimates, and then apply them consistently;
- ii) comply with the disclosure requirements of the Cambodian Accounting Standards and the guidelines of the Central Bank or, if there has been any departure from such standards in the interest of fair presentation, ensure that this has been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- v) effectively control and direct the Company and be involved in all material decisions affecting its operations and performance and ascertain that such matters have been properly reflected in the financial statements.

The Directors confirm that the Company has complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, together with the notes thereto, present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and its financial performance and cash flows for the year ended in accordance with the Cambodian Accounting Standards and the guidelines of the Central Bank, were approved by the Board of Directors.

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



Mr. Sok Voeun
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

Date: 15 MAR 2016



Independent auditor's report

To the shareholders of LOLC Cambodia Plc.

We have audited the accompanying financial statements of LOLC Cambodia Plc. (formerly known as Thaneakea Phum (Cambodia) Ltd.) ("the Company"), which comprise the balance sheet as at 31 December 2015 and the income statement, the statement of changes in equity and the cash flow statement for the year ended 31 December 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Cambodian Accounting Standards and guidelines of the Central Bank, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers (Cambodia) Ltd.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and cash flows for the year ended 31 December 2015 in accordance with the Cambodian Accounting Standards and the guidelines of the Central Bank.

For PricewaterhouseCoopers (Cambodia) Ltd.


By Lang Hy
Director



Phnom Penh, Kingdom of Cambodia
Date: 15 March 2016

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**BALANCE SHEET
AS AT 31 DECEMBER 2015**

| | Note | 2015 | | 2014 | |
|-------------------------------------|---------|--------------------|--------------------|--------------------|--------------------|
| | | KHR '000 | US\$ | KHR '000 | US\$ |
| ASSETS | | | | | |
| Cash on hand | 4 | 3,881,625 | 958,426 | 1,660,618 | 407,514 |
| Balances with the Central Bank | 5 | 34,040,692 | 8,405,109 | 1,207,278 | 296,265 |
| Balances with banks | 6 | 70,717,376 | 17,461,080 | 56,654,593 | 13,902,968 |
| Loan to customers | 7 | 760,988,930 | 187,898,501 | 469,678,255 | 115,258,467 |
| Investment | | 60,750 | 15,000 | 61,125 | 15,000 |
| Other assets | 8 | 23,366,207 | 5,769,434 | 12,289,851 | 3,015,914 |
| Property and equipment | 9 | 6,335,578 | 1,564,340 | 4,948,881 | 1,214,449 |
| Intangible assets | 10 | 74,042 | 18,282 | 83,069 | 20,385 |
| Deferred tax assets | 11(a) | 1,270,200 | 313,630 | 719,288 | 176,512 |
| TOTAL ASSETS | | 900,735,400 | 222,403,802 | 547,302,958 | 134,307,474 |
| LIABILITIES AND EQUITY | | | | | |
| LIABILITIES | | | | | |
| Deposits from customers | 12 | 1,114,636 | 275,219 | - | - |
| Bank overdrafts | 13 | 3,980,411 | 982,818 | 12,439,577 | 3,052,658 |
| Borrowings | 14 | 717,145,414 | 177,072,942 | 418,975,080 | 102,815,971 |
| Other liabilities | 15 | 21,385,635 | 5,280,403 | 12,219,018 | 2,998,529 |
| Current income tax liabilities | 11(b-i) | 11,308,037 | 2,792,108 | 6,677,587 | 1,638,672 |
| TOTAL LIABILITIES | | 754,934,133 | 186,403,490 | 450,311,262 | 110,505,830 |
| EQUITY | | | | | |
| Share capital | 16 | 23,368,200 | 5,769,926 | 23,368,200 | 5,734,528 |
| Reserves | | 4,279,558 | 1,056,681 | 3,695,520 | 906,876 |
| Retained earnings | | 118,153,509 | 29,173,705 | 69,927,976 | 17,160,240 |
| TOTAL EQUITY | | 145,801,267 | 36,000,312 | 96,991,696 | 23,801,644 |
| TOTAL LIABILITIES AND EQUITY | | 900,735,400 | 222,403,802 | 547,302,958 | 134,307,474 |

The accompanying notes on pages 10 to 45 form an integral part of the financial statements.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

| | Note | 2015 | | 2014 | |
|---------------------------------------|------|---------------------|---------------------|---------------------|--------------------|
| | | KHR '000 | US\$ | KHR '000 | US\$ |
| Interest income | 17 | 168,416,754 | 41,584,384 | 112,179,811 | 27,528,788 |
| Interest expense | 18 | <u>(49,092,922)</u> | <u>(12,121,709)</u> | <u>(32,214,876)</u> | <u>(7,905,491)</u> |
| Net interest income | | 119,323,832 | 29,462,675 | 79,964,935 | 19,623,297 |
| Other income | 19 | 5,443,633 | 1,344,107 | 989,410 | 242,800 |
| Commission expenses | 20 | <u>(2,753,366)</u> | <u>(679,843)</u> | <u>(1,581,356)</u> | <u>(388,063)</u> |
| Personnel expenses | 21 | <u>(37,369,599)</u> | <u>(9,227,061)</u> | <u>(26,095,348)</u> | <u>(6,403,765)</u> |
| Depreciation and amortisation charges | 9&10 | <u>(2,242,655)</u> | <u>(553,744)</u> | <u>(1,620,709)</u> | <u>(397,720)</u> |
| General and administrative expenses | 22 | <u>(18,843,924)</u> | <u>(4,652,821)</u> | <u>(12,993,485)</u> | <u>(3,188,587)</u> |
| Net foreign exchange loss | | <u>(460,539)</u> | <u>(113,713)</u> | <u>(92,497)</u> | <u>(22,699)</u> |
| Operating profit | | 63,097,382 | 15,579,600 | 38,570,950 | 9,465,263 |
| Provision for bad and doubtful loans | 7 | <u>(1,952,391)</u> | <u>(482,072)</u> | <u>(422,803)</u> | <u>(103,755)</u> |
| Profit before income tax | | 61,144,991 | 15,097,528 | 38,148,147 | 9,361,508 |
| Income tax expense | 11 | <u>(12,335,420)</u> | <u>(3,045,782)</u> | <u>(7,713,361)</u> | <u>(1,892,849)</u> |
| Profit for the year | | <u>48,809,571</u> | <u>12,051,746</u> | <u>30,434,786</u> | <u>7,468,659</u> |
| Attributable to: | | | | | |
| Equity holders of the Company | | <u>48,809,571</u> | <u>12,051,746</u> | <u>30,434,786</u> | <u>7,468,659</u> |

The accompanying notes on pages 10 to 45 form an integral part of the financial statements.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

| | Note | Share capital KHR'000 | Reserves KHR'000 | Retained earnings KHR'000 | Total KHR'000 |
|-------------------------------|------|-----------------------------|---------------------|---------------------------------|--------------------|
| As at 01 January 2014 | | 23,368,200 | 3,107,877 | 41,792,553 | 68,268,630 |
| Dividends paid | | - | - | (1,711,720) | (1,711,720) |
| Transfers to reserves | 2.18 | - | 587,643 | (587,643) | - |
| Profit for the year | | - | - | 30,434,786 | 30,434,786 |
| As at 31 December 2014 | | <u>23,368,200</u> | <u>3,695,520</u> | <u>69,927,976</u> | <u>96,991,696</u> |
| Equivalent in US\$ | | <u>5,734,528</u> | <u>906,876</u> | <u>17,160,240</u> | <u>23,801,644</u> |
| As at 01 January 2015 | | 23,368,200 | 3,695,520 | 69,927,976 | 96,991,696 |
| Transfers to reserves | 2.18 | - | 584,038 | (584,038) | - |
| Profit for the year | | - | - | 48,809,571 | 48,809,571 |
| As at 31 December 2015 | | <u>23,368,200</u> | <u>4,279,558</u> | <u>118,153,509</u> | <u>145,801,267</u> |
| Equivalent in US\$ | | <u>5,769,926</u> | <u>1,056,681</u> | <u>29,173,705</u> | <u>36,000,312</u> |

The accompanying notes on pages 10 to 45 form an integral part of the financial statements.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

| | Note | 2015 | | 2014 | |
|---------------------------------------------------------------|---------|---------------|--------------|---------------|--------------|
| | | KHR '000 | US\$ | KHR '000 | US\$ |
| Cash flows from operating activities | | | | | |
| Profit before income tax | | 61,144,991 | 15,097,528 | 38,148,147 | 9,361,508 |
| <i>Adjustments for:</i> | | | | | |
| Depreciation and amortisation charges | 9&10 | 2,242,655 | 553,742 | 1,620,709 | 397,720 |
| Deferred grant income | | - | - | (6,876) | (1,687) |
| Provision for bad and doubtful loans | 7 | 1,952,391 | 482,072 | 422,803 | 103,755 |
| Other accruals | | 1,149,086 | 283,725 | - | - |
| Gain on disposals of property and equipment | 19 | (28,427) | (7,019) | (14,628) | (3,590) |
| Net interest income | | (119,323,832) | (29,462,675) | (79,964,935) | (19,623,297) |
| | | (52,863,136) | (13,052,627) | (39,794,780) | (9,765,591) |
| <i>Changes in working capital</i> | | | | | |
| Reserve deposits with the Central Bank | | (1,266,441) | (312,701) | - | - |
| Balances with the Central Bank | | (2,450,051) | (604,951) | 11,785,250 | 2,892,086 |
| Balances with banks | | 6,028,306 | 1,488,471 | (18,720,132) | (4,593,897) |
| Loans to customers | | (293,900,606) | (72,568,051) | (171,135,759) | (41,996,505) |
| Other assets | | (7,002,331) | (1,728,971) | (1,427,346) | (350,269) |
| Deposits from customers | 12 | 1,114,636 | 275,219 | - | - |
| Other liabilities | | 5,051,473 | 1,247,277 | 4,170,208 | 1,023,364 |
| Cash used in operations | | (345,288,150) | (85,256,334) | (215,122,559) | (52,790,812) |
| Interest income received | | 164,343,104 | 40,578,544 | 109,295,235 | 26,820,917 |
| Interest expense paid | | (45,489,323) | (11,231,932) | (33,608,742) | (8,247,544) |
| Income tax paid | 11(b.i) | (8,255,882) | (2,038,489) | (5,207,235) | (1,277,849) |
| Cash used in operating activities | | (234,690,251) | (57,948,211) | (144,643,301) | (35,495,288) |
| Cash flows from investing activities | | | | | |
| Purchases of property and equipment | 9 | (3,619,131) | (893,613) | (3,396,352) | (833,461) |
| Purchases of intangible assets | 10 | (10,283) | (2,539) | (81,434) | (19,984) |
| Proceeds from disposals of property and equipment | | 37,515 | 9,263 | 59,763 | 14,666 |
| Cash used in investing activities | | (3,591,899) | (886,889) | (3,418,023) | (838,779) |
| Cash flows from financing activities | | | | | |
| Proceeds from borrowings | | 573,768,811 | 141,671,311 | 75,660,990 | 18,567,114 |
| Repayments of borrowings | | (275,598,477) | (68,049,007) | 47,351,073 | 11,619,895 |
| Dividend paid out | | - | - | (1,711,720) | (420,054) |
| Cash generated from financing activities | | 298,170,334 | 73,622,304 | 121,300,343 | 29,766,955 |
| Net increase / (decrease) in cash and cash equivalents | | 59,888,184 | 14,787,204 | (26,760,981) | (6,567,112) |
| Cash and cash equivalents at the beginning of the year | | 1,119,246 | 274,662 | 27,880,227 | 6,978,780 |
| Currency translation differences | | - | 1,696 | - | (137,006) |
| Cash and cash equivalents at the end of the year | 23 | 61,007,430 | 15,063,562 | 1,119,246 | 274,662 |

The accompanying notes on pages 10 to 45 form an integral part of the financial statements.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. BACKGROUND INFORMATION

Thaneakea Phum (Cambodia) Ltd. (“the Company”), a licensed micro-finance institution, incorporated in Cambodia and registered with the Ministry of Commerce as a limited liability company under registration number Co. 1413/02E, dated 23 May 2002 and latest renewed on 30 September 2014. After a change in shareholder structure in September 2014, the Company became a subsidiary of LOLC Micro Investments Ltd, incorporated in Sri Lanka. The ultimate parent is Lanka ORIX Leasing Company PLC incorporated in Sri Lanka and listed on the Colombo Stock Exchange.

The Company’s corporate focus is on providing reliable and affordable access to financial services (deposit-taking and lending) to micro-entrepreneurs. Financial services are provided either through village banks made up of solidarity groups of two to seven members each as well as to individuals.

On 9 July 2015, the National Bank of Cambodia approved the change of the legal name from Thaneakea Phum (Cambodia) Ltd. to LOLC Cambodia Plc. and such change was reflected in its legal documents, Article of Incorporation dated 12 August 2015 and Certificate of Incorporation dated 30 September 2015.

The National Bank of Cambodia (“the Central Bank”) granted the Company a licence to conduct business as a micro-finance institution for a three-year period commencing from 12 February 2003 to 12 February 2006. On 20 January 2006, the Central Bank granted the extension of the Company’s licence for another three-year period commencing from 12 February 2006 to 12 February 2009. The Company was then granted a licence for indefinite period on 14 January 2009 from the Central Bank.

In addition, the Company officially received a license number M.F 04 from the Central Bank on 11 September 2015 to conduct deposit taking business.

The Company has 67 office locations (66 branches and a head office in Phnom Penh). The Company’s head office is at No. 666B, Street 271, Phsar Doeum Thkov, Chamkarmon, Phnom Penh, Cambodia.

The financial statements were approved for issue by the Board of Directors on 15 March 2016.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company, which are expressed in Khmer Riel (KHR), are prepared under the historical cost convention and drawn up in accordance with Cambodian Accounting Standards (CAS) and the guidelines of the Central Bank.

The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are therefore not intended to present the financial position, financial performance and cash flows in accordance with jurisdictions other than the Kingdom of Cambodia. Consequently, these financial statements are only addressed to those who are informed about Cambodian accounting principles, procedures and practices.

The preparation of financial statements in accordance with CAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 Financial reporting framework

On 28 August 2009, the National Accounting Council (NAC) of the Ministry of Economy and Finance (MoEF) announced the adoption of Cambodian International Financial Reporting Standards (CIFRS) which are based on all standards published by International Accounting Standard Board including other interpretation and amendment that may occur in any circumstances to each standard by adding "Cambodian". Public accountable entities shall prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2016.

Circular 086 MoEF.NAC dated 30 July 2012 issued by the National Accounting Council of the Ministry of Economy and Finance allowed banks and financial institutions to delay adoption of CIFRS until periods beginning on or after 1 January 2016. On 16 November 2015, the National Bank of Cambodia sent a letter to National Accounting Council requesting a further postponement to periods beginning on or after 1 January 2019. The Council has not yet responded to this request as at the date of this report.

CAS, the current accounting standard used, is different to CIFRS in many areas. Hence, the adoption of CIFRS will have some impacts on the financial statements of the Company.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The Company maintains its accounting records and its financial statements in KHR, the Company's functional currency. The financial statements are presented in KHR, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in currencies other than KHR, the functional and presentation currency, are translated into KHR at the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlements of such transactions and from the translation at year-end exchange rates of monetary and liabilities denominated in currencies other than KHR, are recognised in the income statement.

(iii) Presentation in US\$

The translation of KHR into United States dollars (US\$) is solely for management's use only and is based on the official exchange rates published by the Central Bank as at the reporting dates. Such translation amounts are unaudited and should not be construed as representations that the KHR amounts represent, or have been or could be converted into US\$ at that or any other rate.

| | | |
|----------|-------------------------|-------------------------|
| | 31 December 2015 | 31 December 2014 |
| KHR/US\$ | 4,050 | 4,075 |

2.4 Basis of aggregation

The financial statements comprise the financial statements of the head office and the branch offices after the elimination of all significant inter-branch balances and transactions.

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, unrestricted balances with the Central Bank, and balances with banks, and other short-term highly liquid investments with original maturities of three months or less where the Company has full ability to withdraw for general purpose whenever needed.

Bank overdrafts are presented in liabilities on the balance sheet.

2.6 Loans to customers

Loans to customers are stated in the balance sheet at the amount of the principal outstanding less any amounts written off and provision for bad and doubtful loans.

Loans are written off when there is no realistic prospect of recovery.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Provision for bad and doubtful loans

The adequacy of the provision for bad and doubtful loans is evaluated monthly by management.

The Company follows the mandatory credit classification and provisioning as required Prakas B7-02-186 dated 13 September 2002. The Prakas requires microfinance institutions to classify their loan portfolio into the following four classes and ensure that the minimum mandatory level of specific provisioning is provided:

| Classification | Number of days past due | Provision |
|----------------------------------------------|--------------------------------|------------------|
| <i>Short-term loans (less than one year)</i> | | |
| Standard | 0 - 29 days | 0% |
| Substandard | 30 - 59 days | 10% |
| Doubtful | 60 - 89 days | 30% |
| Loss | 90 days or more | 100% |
| <i>Long-term loans (more than one year)</i> | | |
| Standard | 0 - 29 days | 0% |
| Substandard | 30 - 179 days | 10% |
| Doubtful | 180 - 359 days | 30% |
| Loss | 360 days or more | 100% |

The specific provision is calculated as a percentage of the loans outstanding at the time the loan is classified and is charged as an expense in the income statement.

The Company provides for a 100% provision for loan losses for any loan overdue more than or equal to 30 days. The amount of provision in excess of the defined percentages required by the Central Bank is presented as general provision.

Loans are written off when they are considered uncollectible. Loans written off are taken out of the outstanding loan portfolio and deducted from the provision for loan losses.

Recoveries on loans previously written off are disclosed as other operating income in the income statement.

2.8 Property and equipment

Items of property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is possible that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property and equipment (continued)

Depreciation of property and equipment is charged to the income statement on a straight line method at the following determination:

| Category | Useful life |
|--------------------------------|------------------------------------------------|
| Office furniture and equipment | 3-5 years |
| Motor vehicles | 4-5 years |
| Computer equipment | 3 years |
| Leasehold improvement | Shorter of economic life and contractual terms |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount.

Gains or losses on the sale of property and equipment are recognised upon the disposal of such assets.

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

2.9 Intangible assets

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use. Intangible assets are amortised over their estimated useful lives of five years using the straight-line method.

Costs associated with maintaining computer software are recognised as an expense when incurred.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows (cash-generating units).

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Borrowings

Borrowings are stated at the amount of the principal outstanding. Fees paid on the establishment of borrowing facilities amortised on straight line basis over the period of each borrowing facilities to the income statement.

Borrowing costs (interest expense) shall be recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset. Capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.12 Subordinated debts

Subordinated debts are treated as financial liabilities when there are contractual obligations to deliver cash or financial assets to the other entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, if otherwise, it is treated as equity. The subordinated debts which are approved by the Central Bank are included as a Tier II line item in the calculation of the Company's net worth in accordance with the guidelines of the Central Bank.

2.13 Provisions for other liabilities and charges

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When 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. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are re-measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.14 Interest income and expense recognition

Interest income on loans to customers, balances with the Central Bank and balances with banks are recognised on an accrual basis. Where a loan becomes non-performing (past due from 30 days), the recording of interest income on loans to customers is suspended until it is realised on a cash basis.

Interest expenses on borrowings and subordinated debts are recognised on an accrual basis.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Leases

Operating leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.16 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Company and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

In accordance with the Law on Banking and Financial Institutions, related parties are defined as parties who hold, directly or indirectly, at least 10% of the capital of the Company or voting rights and include any individual who participates in the administration, direction, management or internal control of the Company.

2.17 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the reporting date in Cambodia where the Company operates and generates taxable income.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.18 Other reserves

According to the loan agreement between Instituto De Crédito Oficial (ICO) of the Kingdom of Spain and the Company, the Company is required, during the life of the loan, to transfer each year to other reserves 3.5% of outstanding principal of the loan from ICO, under the Spanish Microfinance Program. The other reserves are for Institutional Strengthening, and still retained in the other reserves account of the life of the loan, except otherwise agrees by ICO.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Dividend

Dividend distribution to the Company's shareholders is recognised as liability in the period in which they are approved by the Company's shareholders.

Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.1 Provision for bad and doubtful loans

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas No. B7-02-186 dated 13 September 2002 of the Central Bank. The Central Bank requires micro-finance institutions to classify their loan portfolios into four classes, and a minimum mandatory level of provision is made depending on the classification concerned. For the purpose of loan classification, the Company is required to take into account the borrower's historical payment experience and financial condition.

The Company provides for a 100% provision for loan losses for any loan overdue more than or equal to 30 days. The amount of provision in excess of the defined percentages required by the Central Bank is shown as general provision.

3.2 Income tax

Taxes are calculated on the basis of current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax expense will be made following inspection by the General Department of Taxation. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

3.3 Functional currency

The Board of Directors considers that KHR represents the economic effect of the underlying transactions, events and conditions. The KHR is the currency in which the Company measures its performance and reports its results, as well as the currency in which it receives subscriptions from and pays dividends to its shareholders. KHR is the local currency of the country.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

4. CASH ON HAND

| | 2015 | | 2014 | |
|-------------|------------------|----------------|------------------|----------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Head office | 45,852 | 11,322 | 51,553 | 12,651 |
| Branches | 3,835,773 | 947,104 | 1,609,065 | 394,863 |
| | <u>3,881,625</u> | <u>958,426</u> | <u>1,660,618</u> | <u>407,514</u> |

5. BALANCES WITH THE CENTRAL BANK

| | 2015 | | 2014 | |
|-------------------------------|-------------------|------------------|------------------|----------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Current accounts | 31,590,641 | 7,800,158 | 23,668 | 5,809 |
| Statutory capital deposit (i) | 2,336,820 | 576,993 | 1,168,410 | 286,726 |
| Reserve requirement (ii) | 113,231 | 27,958 | 15,200 | 3,730 |
| | <u>34,040,692</u> | <u>8,405,109</u> | <u>1,207,278</u> | <u>296,265</u> |

(i) Statutory capital deposit

In accordance with Prakas B7-07-163 dated 13 December 2007 on the Licensing of Deposit-Taking Microfinance Institutions, the Company is required to maintain a statutory capital deposit with the Central Bank at 10% of registered capital. This deposit is refundable should the Company voluntarily liquidate. The statutory capital deposit is denominated in KHR and earns interest at 3% per annum.

(ii) Reserve requirement

The reserve requirement represents the minimum reserve requirement which is calculated at 8% of the total deposits from customers as required by Prakas B7-07-163 on the Licensing of Deposit-Taking Microfinance Institutions. Reserve deposit earns no interest.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

6. BALANCES WITH BANKS

| | 2015 | | 2014 | |
|---------------------------|-------------------|-------------------|-------------------|-------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Current accounts | 15,149,529 | 3,740,623 | 3,625,465 | 889,684 |
| Savings accounts | 11,911,967 | 2,941,227 | 8,249,072 | 2,024,313 |
| Term deposit accounts (*) | 43,655,880 | 10,779,230 | 44,780,056 | 10,988,971 |
| | <u>70,717,376</u> | <u>17,461,080</u> | <u>56,654,593</u> | <u>13,902,968</u> |

Current accounts are non-interest bearing. Annual interest rates on term deposit accounts and savings accounts are ranging from 0.25% - 4.75% per annum (2014: 0.25% - 4.75%).

(*) All term deposit accounts have maturity within one year. They are also pledged as collaterals for obtaining bank loans (Note 13) with a local bank.

7. LOANS TO CUSTOMERS

| | 2015 | | 2014 | |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Thaneakea Phum loans: | | | | |
| End of cycle | 190,061,900 | 46,928,864 | 127,229,565 | 31,221,978 |
| Solidarity group loans: | | | | |
| Fixed term | 53,251,093 | 13,148,418 | 41,450,617 | 10,171,931 |
| Individual loans: | | | | |
| Fixed term | 360,727,863 | 89,068,608 | 216,403,486 | 53,105,150 |
| End of cycle | 149,478,071 | 36,908,166 | 81,955,620 | 20,111,809 |
| Staff loans | 9,318,156 | 2,300,779 | 3,102,820 | 761,428 |
| | <u>762,837,083</u> | <u>188,354,835</u> | <u>470,142,108</u> | <u>115,372,296</u> |
| Provision for bad and doubtful loans: | | | | |
| Specific provision | (658,472) | (162,586) | (208,938) | (51,273) |
| General provision | (1,189,681) | (293,748) | (254,915) | (62,556) |
| | <u>(1,848,153)</u> | <u>(456,334)</u> | <u>(463,853)</u> | <u>(113,829)</u> |
| Net loans to customers | <u>760,988,930</u> | <u>187,898,501</u> | <u>469,678,255</u> | <u>115,258,467</u> |

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

7. LOANS TO CUSTOMERS (continued)

The movements in provision for bad and doubtful loans to customers are as follows:

| | 2015 | | 2014 | |
|----------------------------------|------------------|----------------|----------------|----------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| As at 01 January | 463,853 | 113,829 | 446,135 | 111,674 |
| Provision for the year | 1,952,391 | 482,072 | 422,803 | 103,755 |
| Written off during the year | (554,820) | (136,993) | (413,242) | (101,409) |
| (Loss)/gain on foreign exchange | (13,271) | (3,277) | 8,157 | 2,002 |
| Currency translation differences | - | 703 | - | (2,193) |
| As at 31 December | <u>1,848,153</u> | <u>456,334</u> | <u>463,853</u> | <u>113,829</u> |

Loans to customers are analysed as follows:

(a) *By economic sector*

| | 2015 | | 2014 | |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Agriculture | 365,376,576 | 90,216,439 | 289,560,647 | 71,057,826 |
| Trade and commerce | 126,990,749 | 31,355,740 | 74,467,646 | 18,274,269 |
| Household/family | 171,373,286 | 42,314,392 | 49,190,148 | 12,071,202 |
| Services | 74,085,515 | 18,292,720 | 44,075,576 | 10,816,092 |
| Construction | 12,468,379 | 3,078,612 | 4,562,011 | 1,119,512 |
| Transportation | 1,852,388 | 457,380 | 813,692 | 199,679 |
| Other categories | 10,690,190 | 2,639,552 | 7,472,388 | 1,833,716 |
| | <u>762,837,083</u> | <u>188,354,835</u> | <u>470,142,108</u> | <u>115,372,296</u> |

(b) *By resident status*

| | 2015 | | 2014 | |
|-----------|--------------------|--------------------|--------------------|--------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Residents | <u>762,837,083</u> | <u>188,354,835</u> | <u>470,142,108</u> | <u>115,372,296</u> |

(c) *By relationship*

| | 2015 | | 2014 | |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| External customers | 753,518,927 | 186,054,056 | 467,039,288 | 114,610,868 |
| Staff loans | <u>9,318,156</u> | <u>2,300,779</u> | <u>3,102,820</u> | <u>761,428</u> |
| | <u>762,837,083</u> | <u>188,354,835</u> | <u>470,142,108</u> | <u>115,372,296</u> |

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

7. LOANS TO CUSTOMERS (continued)

(d) *By performance*

| | 2015 | | 2014 | |
|---------------------|--------------------|--------------------|--------------------|--------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Standard loans: | | | | |
| Secured | 518,689,562 | 128,071,497 | 301,233,347 | 73,922,294 |
| Unsecured | 242,299,371 | 59,827,004 | 168,444,908 | 41,336,174 |
| Sub-standard loans: | | | | |
| Secured | 544,623 | 134,475 | 82,227 | 20,178 |
| Unsecured | 393,046 | 97,048 | 102,920 | 25,256 |
| Doubtful loans: | | | | |
| Secured | 229,031 | 56,551 | 77,816 | 19,096 |
| Unsecured | 264,934 | 65,416 | 48,302 | 11,853 |
| Loss loans: | | | | |
| Secured | 60,874 | 15,031 | 68,536 | 16,819 |
| Unsecured | 355,642 | 87,813 | 84,052 | 20,626 |
| | <u>762,837,083</u> | <u>188,354,835</u> | <u>470,142,108</u> | <u>115,372,296</u> |

(e) *By interest rate (per month)*

The monthly interest rate are in ranges as follows:

| | 2015 | 2014 |
|--------------------|---------------|---------------|
| Loan in Khmer Riel | 2.50% - 3.50% | 2.50% - 3.50% |
| Loan in US Dollar | 1.60% - 3.50% | 1.70% - 3.50% |
| Loan in Thai Baht | 2.45% - 3.50% | 2.50% - 3.50% |

8. OTHER ASSETS

| | 2015 | | 2014 | |
|-----------------------------|-------------------|------------------|-------------------|------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Accrued interest receivable | 12,576,598 | 3,105,333 | 8,502,948 | 2,086,613 |
| Prepayments | 6,787,820 | 1,676,005 | 1,303,066 | 319,771 |
| Amortised borrowing fees | 2,727,547 | 673,468 | 2,068,344 | 507,569 |
| Others | 1,274,242 | 314,628 | 415,493 | 101,961 |
| | <u>23,366,207</u> | <u>5,769,434</u> | <u>12,289,851</u> | <u>3,015,914</u> |

All other assets are expected to be utilised and recovered within one year after the year end, except the amortised borrowing fees of KHR1,134 million to be utilised later than one year after the year end.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

9. PROPERTY AND EQUIPMENT

| | Office furniture and equipment KHR'000 | Motor vehicles KHR'000 | Computer equipment KHR'000 | Leasehold improvement KHR'000 | Total KHR'000 |
|------------------------------------|-------------------------------------------------|------------------------------|----------------------------------|-------------------------------------|------------------|
| At 1 January 2014 | | | | | |
| Cost | 617,648 | 5,665,120 | 2,040,554 | - | 8,323,322 |
| Accumulated depreciation | (314,665) | (3,165,195) | (1,632,739) | - | (5,112,599) |
| Net book value | <u>302,983</u> | <u>2,499,925</u> | <u>407,815</u> | <u>-</u> | <u>3,210,723</u> |
| Year ended 31 December 2014 | | | | | |
| Opening net book value | 302,983 | 2,499,925 | 407,815 | - | 3,210,723 |
| Additions | 458,553 | 1,820,559 | 491,914 | 625,326 | 3,396,352 |
| Disposals | (37,925) | (6,003) | (1,207) | - | (45,135) |
| Depreciation charge | (212,375) | (1,036,023) | (312,534) | (52,127) | (1,613,059) |
| Closing net book value | <u>511,236</u> | <u>3,278,458</u> | <u>585,988</u> | <u>573,199</u> | <u>4,948,881</u> |
| At 31 December 2014 | | | | | |
| Cost | 994,354 | 7,445,143 | 2,458,718 | 625,326 | 11,523,541 |
| Accumulated depreciation | (483,118) | (4,166,685) | (1,872,730) | (52,127) | (6,574,660) |
| Net book value | <u>511,236</u> | <u>3,278,458</u> | <u>585,988</u> | <u>573,199</u> | <u>4,948,881</u> |
| Equivalent in US\$ | <u>125,457</u> | <u>804,530</u> | <u>143,800</u> | <u>140,662</u> | <u>1,214,449</u> |
| At 1 January 2015 | | | | | |
| Cost | 994,354 | 7,445,143 | 2,458,718 | 625,326 | 11,523,541 |
| Accumulated depreciation | (483,118) | (4,166,685) | (1,872,730) | (52,127) | (6,574,660) |
| Net book value | <u>511,236</u> | <u>3,278,458</u> | <u>585,988</u> | <u>573,199</u> | <u>4,948,881</u> |
| Year ended 31 December 2015 | | | | | |
| Opening net book value | 511,236 | 3,278,458 | 585,988 | 573,199 | 4,948,881 |
| Additions | 440,927 | 2,323,557 | 799,215 | 55,432 | 3,619,131 |
| Disposals | - | (5,653) | (166) | (3,269) | (9,088) |
| Depreciation charge | (262,911) | (1,463,733) | (429,192) | (67,510) | (2,223,346) |
| Closing net book value | <u>689,252</u> | <u>4,132,629</u> | <u>955,845</u> | <u>557,852</u> | <u>6,335,578</u> |
| At 31 December 2015 | | | | | |
| Cost | 1,429,120 | 9,673,334 | 3,011,890 | 676,955 | 14,791,299 |
| Accumulated depreciation | (739,868) | (5,540,705) | (2,056,045) | (119,103) | (8,455,721) |
| Net book value | <u>689,252</u> | <u>4,132,629</u> | <u>955,845</u> | <u>557,852</u> | <u>6,335,578</u> |
| Equivalent in US\$ | <u>170,186</u> | <u>1,020,402</u> | <u>236,011</u> | <u>137,741</u> | <u>1,564,340</u> |

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

10. INTANGIBLE ASSETS

Intangible assets consist of computer software cost and its license fee, with the details as follows:

| | 2015 | 2014 |
|-------------------------------|----------------|----------------|
| | KHR'000 | KHR'000 |
| At the beginning | | |
| Cost | 271,732 | 190,298 |
| Accumulated amortisation | (188,663) | (181,013) |
| Net book value | <u>83,069</u> | <u>9,285</u> |
| Year ended | | |
| Opening net book value | 83,069 | 9,285 |
| Additions | 10,283 | 81,434 |
| Amortisation charge | (19,309) | (7,650) |
| Closing net book value | <u>74,043</u> | <u>83,069</u> |
| Year ended | | |
| Cost | 282,014 | 271,732 |
| Accumulated amortisation | (207,972) | (188,663) |
| Net book value | <u>74,042</u> | <u>83,069</u> |
| Equivalent in US\$ | <u>18,282</u> | <u>20,385</u> |

11. TAXATION

(a) Deferred tax assets

The analysis of deferred tax assets and deferred tax liabilities is as follows:

| | 2015 | | 2014 | |
|--------------------------|------------------|----------------|----------------|----------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Deferred tax assets | 1,322,570 | 326,561 | 751,977 | 184,534 |
| Deferred tax liabilities | (52,370) | (12,931) | (32,689) | (8,022) |
| Deferred tax assets, net | <u>1,270,200</u> | <u>313,630</u> | <u>719,288</u> | <u>176,512</u> |

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

11. TAXATION (continued)

(a) Deferred tax assets (continued)

The movement of net deferred tax assets is as follows:

| | 2015 | | 2014 | |
|----------------------------------|------------------|----------------|----------------|----------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Balance at beginning of the year | 719,288 | 176,512 | 570,258 | 142,743 |
| Charge to the income statement | 550,912 | 136,028 | 149,030 | 4,927 |
| Currency translation differences | - | 1,090 | - | 28,842 |
| Balance at end of the year | <u>1,270,200</u> | <u>313,630</u> | <u>719,288</u> | <u>176,512</u> |

The movement in deferred income tax assets/(liabilities) during the year is as follows:

| | General provision loan loss KHR'000 | Bonus and unused annual leave KHR'000 | Unrealised exchange loss KHR'000 | Accelerated depreciation and amortisation KHR'000 | Other accruals KHR'000 | Total KHR'000 |
|--------------------------------|-------------------------------------------|------------------------------------------------|-------------------------------------------|---------------------------------------------------------------|------------------------------|------------------|
| At 01 January 2014 | - | 503,125 | 63,656 | 3,477 | - | 570,258 |
| Charged to income statement | 50,983 | 78,134 | 56,079 | (36,166) | - | 149,030 |
| At 31 December 2014 | <u>50,983</u> | <u>581,259</u> | <u>119,735</u> | <u>(32,689)</u> | <u>-</u> | <u>719,288</u> |
| Equivalent in US\$ | <u>12,511</u> | <u>142,640</u> | <u>29,383</u> | <u>(8,022)</u> | <u>-</u> | <u>176,512</u> |
| At 01 January 2015 | 50,983 | 581,259 | 119,735 | (32,689) | - | 719,288 |
| Charged to income statement | 186,951 | 200,741 | 80,591 | (19,681) | 102,310 | 550,912 |
| At 31 December 2015 | <u>237,934</u> | <u>782,000</u> | <u>200,326</u> | <u>(52,370)</u> | <u>102,310</u> | <u>1,270,200</u> |
| Equivalent in US\$ | <u>58,749</u> | <u>193,086</u> | <u>49,463</u> | <u>(12,931)</u> | <u>25,263</u> | <u>313,630</u> |

(b) Income tax expense

| | 2015 | | 2014 | |
|--------------------------------------------|-------------------|------------------|------------------|------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Current tax | 12,886,332 | 3,181,810 | 7,702,015 | 1,890,065 |
| Deferred tax assets | (550,912) | (136,028) | (149,030) | (36,572) |
| | <u>12,335,420</u> | <u>3,045,782</u> | <u>7,552,985</u> | <u>1,853,493</u> |
| Under estimate in respect of prior year | - | - | 160,376 | 39,356 |
| Income tax expense | <u>12,335,420</u> | <u>3,045,782</u> | <u>7,713,361</u> | <u>1,892,849</u> |

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

11. TAXATION (continued)

(b) Income tax expense (continued)

(i) Current income tax liabilities

| | 2015 | | 2014 | |
|----------------------------------|-------------------|------------------|------------------|------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| At 01 January | 6,677,587 | 1,638,672 | 4,022,431 | 987,100 |
| Charge during the year | 12,886,332 | 3,181,810 | 7,702,015 | 1,890,065 |
| Income tax paid | (8,255,882) | (2,038,489) | (5,046,859) | (1,238,493) |
| Currency translation differences | - | 10,115 | - | - |
| At 31 December | <u>11,308,037</u> | <u>2,792,108</u> | <u>6,677,587</u> | <u>1,638,672</u> |

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

| | 2015 | | 2014 | |
|------------------------------------------|-------------------|------------------|------------------|------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Profit before income tax | 61,144,991 | 15,097,528 | 38,148,147 | 9,361,508 |
| Tax calculated at 20% | 12,228,998 | 3,019,506 | 7,629,629 | 1,872,302 |
| Expenses not deductible for tax purposes | <u>106,422</u> | <u>26,276</u> | <u>(76,644)</u> | <u>(18,809)</u> |
| | <u>12,335,420</u> | <u>3,045,782</u> | <u>7,552,985</u> | <u>1,853,493</u> |

In accordance with Cambodian tax laws, the Company has an obligation to pay corporate income tax at the rate of 20% of taxable profit or minimum tax at 1% of turnover, whichever is higher.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

12. DEPOSITS FROM CUSTOMERS

| | 2015 | | 2014 | |
|-----------------|------------------|----------------|----------|----------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Savings deposit | 548,004 | 135,310 | - | - |
| Term deposit | 566,632 | 139,909 | - | - |
| | <u>1,114,636</u> | <u>275,219</u> | <u>-</u> | <u>-</u> |

As at the balance sheet date, deposits from customers bear interest at the following rates per annum; depending on terms and currencies. All deposits from customers have maturity within one year, except the amount of KHR86 million with maturity more than one year.

| | |
|-----------------|--------------|
| Savings deposit | 1% - 3% |
| Term deposit | 3.5% - 10.5% |

13. BANK OVERDRAFTS

| | 2015 | | 2014 | |
|-----------------|------------------|----------------|-------------------|------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Bank overdrafts | 3,980,411 | 982,818 | 12,439,577 | 3,052,658 |
| | <u>3,980,411</u> | <u>982,818</u> | <u>12,439,577</u> | <u>3,052,658</u> |

These are unsecured facilities and have maturity of one year (subject to renewal upon expiry), with interest rate ranging from 9% to 10% per annum.

The Company still has the following unused portion of its overdraft facilities.

| | 2015 | | 2014 | |
|----------------|-------------------|------------------|------------------|----------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Approved limit | 20,075,000 | 4,956,790 | 15,037,500 | 3,690,184 |
| Withdrawn | (3,980,411) | (982,818) | (12,439,577) | (3,052,658) |
| Unused portion | <u>16,094,589</u> | <u>3,973,972</u> | <u>2,597,923</u> | <u>637,526</u> |

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

14. BORROWINGS

| | 2015 | | 2014 | |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Local borrowings (*) | 91,350,000 | 22,555,555 | 81,789,584 | 20,071,063 |
| Overseas borrowings (**) | 625,795,414 | 154,517,387 | 337,185,496 | 82,744,908 |
| | <u>717,145,414</u> | <u>177,072,942</u> | <u>418,975,080</u> | <u>102,815,971</u> |

(*) The Company has pledged all of its term deposits of KHR43.65 billion (note 6) for obtaining the borrowings from a local bank.

(**) It included the subordinated debt of approximately KHR16 billion (denominated in US\$4 million) approved by the Central Bank in September 2014.

Included in the borrowings, the amount of KHR450 billion has the maturity more than one year.

The annual interest rates are as follows:

| | 2015 | 2014 |
|-------------------------|----------------|----------------|
| Borrowing in Khmer Riel | 9.00% - 12.35% | 9.00% - 13.00% |
| Borrowing in US Dollar | 2.55% - 10.50% | 5.50% - 10.50% |
| Borrowing in Thai Baht | 8.50% - 10.85% | 8.50% - 10.50% |

15. OTHER LIABILITIES

| | 2015 | | 2014 | |
|--------------------------------------|-------------------|------------------|-------------------|------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Accrued interest payables | 8,880,172 | 2,192,635 | 5,276,573 | 1,294,865 |
| Accrued staff bonuses and incentives | 9,119,629 | 2,251,760 | 5,348,793 | 1,312,587 |
| Withholding tax payable | 942,195 | 232,641 | 508,168 | 124,704 |
| Accrued other expenses | 603,386 | 148,984 | 396,478 | 97,296 |
| Other payables | 1,840,253 | 454,383 | 689,006 | 169,077 |
| | <u>21,385,635</u> | <u>5,280,403</u> | <u>12,219,018</u> | <u>2,998,529</u> |

Included in other liabilities, the amount of KHR512 million is expected to be settled more than one year.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

16. SHARE CAPITAL

| | 2015 | | 2014 | |
|----------------------------|-------------------|------------------|-------------------|------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| LOLC Micro Investments Ltd | 14,021,000 | 3,461,975 | 14,021,000 | 3,440,736 |
| DWM Funds S.C.A.-SICAV SIF | 8,639,200 | 2,133,136 | 8,639,200 | 2,120,049 |
| TPC-ESOP Co., Ltd | 708,000 | 174,815 | 708,000 | 173,743 |
| | <u>23,368,200</u> | <u>5,769,926</u> | <u>23,368,200</u> | <u>5,734,528</u> |

Ownership and number of shares are presented as below:

| | 2015 | | 2014 | |
|----------------------------|----------------|----------------|----------------|----------------|
| | Ownership | Shares | Ownership | Shares |
| LOLC Micro Investments Ltd | 60.00% | 140,210 | 60.00% | 140,210 |
| DWM Funds S.C.A.-SICAV SIF | 36.97% | 86,392 | 36.97% | 86,392 |
| TPC-ESOP Co., Ltd (*) | 3.03% | 7,080 | 3.03% | 7,080 |
| | <u>100.00%</u> | <u>233,682</u> | <u>100.00%</u> | <u>233,682</u> |

The total authorised number of ordinary shares as at 31 December 2015 was 233,682 shares with a par value of KHR100,000 (31 December 2014: 233,682 shares with a par value of KHR100,000). All authorised shares are issued and fully paid.

(*) TPC-ESOP is a vehicle through which eligible employees can acquire an ownership interest in the Company. The ESOP serves as an employee benefit that enables employees to contribute long-term growth of the Company.

17. INTEREST INCOME

| | 2015 | | 2014 | |
|------------------------------------------|--------------------|-------------------|--------------------|-------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Interest income from: | | | | |
| Loans to customers | 166,150,473 | 41,024,808 | 110,382,060 | 27,087,622 |
| Balances with the Central Bank and banks | <u>2,266,281</u> | <u>559,576</u> | <u>1,797,751</u> | <u>441,166</u> |
| | <u>168,416,754</u> | <u>41,584,384</u> | <u>112,179,811</u> | <u>27,528,788</u> |

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

18. INTEREST EXPENSES

| | 2015 | | 2014 | |
|---------------------|-------------------|-------------------|-------------------|------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Local borrowings | 8,933,746 | 2,205,863 | 6,864,604 | 1,684,565 |
| Overseas borrowings | 40,153,649 | 9,914,481 | 25,350,272 | 6,220,926 |
| Customers deposits | 5,527 | 1,365 | - | - |
| | <u>49,092,922</u> | <u>12,121,709</u> | <u>32,214,876</u> | <u>7,905,491</u> |

19. OTHER INCOME

| | 2015 | | 2014 | |
|---------------------------------------------|------------------|------------------|----------------|----------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Fees and commission income on loans | 4,925,356 | 1,216,137 | 497,286 | 122,033 |
| Recoveries from loans written-off | 281,251 | 69,445 | 310,014 | 76,077 |
| Penalty income | 93,622 | 23,117 | 39,439 | 9,678 |
| Gain on disposals of property and equipment | 28,427 | 7,019 | 14,628 | 3,590 |
| Others | 114,977 | 28,389 | 128,043 | 31,422 |
| | <u>5,443,633</u> | <u>1,344,107</u> | <u>989,410</u> | <u>242,800</u> |

20. COMMISSION EXPENSES

Commission expenses represent payments to the Group loan collection coordinators and to Credit Bureau Cambodia (CBC) on borrowers' enquiry information.

21. PERSONNEL EXPENSES

| | 2015 | | 2014 | |
|---------------------------|-------------------|------------------|-------------------|------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Salaries and wages | 33,661,610 | 8,311,509 | 23,413,336 | 5,745,604 |
| Other short-term benefits | 3,707,989 | 915,552 | 2,682,012 | 658,161 |
| | <u>37,369,599</u> | <u>9,227,061</u> | <u>26,095,348</u> | <u>6,403,765</u> |

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

22. GENERAL AND ADMINISTRATIVE EXPENSES

| | 2015 | | 2014 | |
|-----------------------------------------|-------------------|------------------|-------------------|------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Bank and service charges and other fees | 3,135,983 | 774,317 | 1,912,234 | 469,260 |
| Rental expenses | 3,039,527 | 750,500 | 2,249,260 | 551,966 |
| Other expenses | 2,714,265 | 670,189 | 1,052,377 | 258,252 |
| Travelling expenses | 2,585,400 | 638,370 | 2,349,944 | 576,673 |
| Office supplies and equipment | 1,700,527 | 419,883 | 1,342,157 | 329,364 |
| Marketing expenses | 1,566,015 | 386,670 | 1,056,798 | 259,338 |
| Utilities | 838,452 | 207,025 | 699,958 | 171,769 |
| Professional services | 778,994 | 192,344 | 645,168 | 158,323 |
| Communications | 767,329 | 189,464 | 638,603 | 156,712 |
| Security Expenses | 720,416 | 177,880 | 553,508 | 135,830 |
| Board of Directors' fees | 356,628 | 88,056 | 166,258 | 40,800 |
| Photocopies and printing | 341,707 | 84,375 | 207,454 | 50,909 |
| License fees | 298,681 | 73,748 | 119,766 | 29,391 |
| | <u>18,843,924</u> | <u>4,652,821</u> | <u>12,993,485</u> | <u>3,188,587</u> |

23. CASH AND CASH EQUIVALENTS

| | 2015 | | 2014 | |
|---------------------------------------------------|-------------------|-------------------|-------------------|------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Bank overdrafts | (3,980,411) | (982,818) | (12,439,577) | (3,052,658) |
| Cash on hand | 3,881,625 | 958,426 | 1,660,618 | 407,514 |
| Balances with the Central Bank less than 3 months | 29,140,590 | 7,195,207 | 23,668 | 5,809 |
| Balances with banks less than 3 months | <u>31,965,626</u> | <u>7,892,747</u> | <u>11,874,537</u> | <u>2,913,997</u> |
| | <u>61,007,430</u> | <u>15,063,562</u> | <u>1,119,246</u> | <u>274,662</u> |

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

24. RELATED PARTY TRANSACTIONS AND BALANCES

| Relationship | Related party |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ultimate parent company | Lanka ORIX Leasing Company PLC |
| Immediate | LOLC Micro Investments Ltd |
| Key management personnel | All directors of the Company who make critical decisions in relation to the strategic direction of the Company and senior management staff (including their close family members) |

The related party transactions and outstanding balances for the year ended 31 December 2015 are as follows:

(a) Balances and transactions with a shareholder

| | 2015 | | 2014 | |
|-------------------|-------------------|------------------|----------------|-------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Borrowings | 11,496,800 | 2,838,716 | - | - |
| Interest payable | 321,751 | 79,445 | - | - |
| | <u>11,818,551</u> | <u>2,918,161</u> | <u>-</u> | <u>-</u> |
| Interest expenses | <u>374,129</u> | <u>92,377</u> | <u>-</u> | <u>-</u> |

(b) Balances and transactions with key management

| | 2015 | | 2014 | |
|----------------------|----------------|---------------|----------------|-------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Loans and advances | 317,008 | 78,274 | - | - |
| Interest receivables | 423 | 104 | - | - |
| | <u>317,431</u> | <u>78,378</u> | <u>-</u> | <u>-</u> |
| Interest income | <u>7,422</u> | <u>1,821</u> | <u>-</u> | <u>-</u> |

(c) Key management compensation

| | 2015 | | 2014 | |
|------------------------------------|------------------|----------------|------------------|----------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Salaries and other benefit expense | <u>1,184,804</u> | <u>292,544</u> | <u>1,833,063</u> | <u>449,831</u> |
| Salaries and other benefit payable | <u>616,473</u> | <u>152,215</u> | <u>234,137</u> | <u>57,457</u> |

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

24. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(d) Transactions with Board of Directors

| | 2015 | | 2014 | |
|---------------------------------|---------|--------|---------|--------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Board fees and related expenses | 356,628 | 88,056 | 166,258 | 40,800 |

25. COMMITMENTS

Operating lease commitments

These operating leases mainly relate to the office rentals, which are renewable upon mutual agreements. Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

| | 2015 | | 2014 | |
|--------------------------------------------------|-------------------|------------------|------------------|------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| No later than one year | 2,704,499 | 667,778 | 1,591,571 | 390,570 |
| Later than one year and no later than five years | 8,322,107 | 2,054,841 | 3,351,056 | 822,345 |
| Later than five years | 46,401 | 11,457 | 1,616,619 | 396,716 |
| | <u>11,073,007</u> | <u>2,734,076</u> | <u>6,559,246</u> | <u>1,609,631</u> |

26. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Taking risks is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage its risk exposures.

Financial assets are the contractual rights to receive cash or another financial asset from another entity. It is classified as loan and receivables and comprised of cash on hand, balances with the Central Bank, balances with banks, loans to customers and other assets.

Financial liabilities are contractual obligations to deliver cash or another financial asset to another entity. It is classified as other liabilities and comprised of deposits from customers, bank overdrafts, borrowings and other liabilities.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. FINANCIAL RISK MANAGEMENT (continued)

26.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparties will cause a financial loss to the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business. Credit exposure arises principally in lending activities that lead to loans to customers. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management is carried out by the Company's credit committee.

The lending activities are guided by the Company's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy, and credit approval processes and procedures implemented to ensure compliance with the guidelines of Central Bank.

(a) Credit risk measurement

The Company assesses the probability of default of individual counterparties by focusing on borrowers' forecast profit and cash flows. The credit committee is responsible for approving loans to customers.

(b) Risk limit control and mitigation policies

The Company operates and provides loans to individuals or small-medium enterprises within the Kingdom of Cambodia. The Company manages limits and controls the concentration of credit risk whenever it is identified.

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to customers, which is common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

(c) Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-02-186 dated 13 September 2002 on loan classification and provisioning. The Central Bank requires microfinance institutions to classify their loan portfolio into four classes and ensure that the minimum mandatory level of specific provision is made depending on the classification concerned and regardless of the assets (except for cash) pledged as collateral (Refer to Note 2.7).

Moreover, the general provision has been provided on non-performing loan in addition to the existing specific provision to ensure the risk coverage ratio up to 100%.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. FINANCIAL RISK MANAGEMENT (continued)

26.1 Credit risk (continued)

(d) Maximum exposure to credit risk before collateral held or other credit enhancements

| | 2015 | | 2014 | |
|-------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| <i>Credit exposure relating to on-balance sheet assets:</i> | | | | |
| Loans to customers (Note 7) | 760,988,930 | 187,898,501 | 469,678,255 | 115,258,467 |
| Balances with banks (Note 6) | 70,717,376 | 17,461,080 | 56,654,593 | 13,902,968 |
| Other assets | 12,856,573 | 3,174,462 | 8,834,170 | 2,167,894 |
| | <u>844,562,879</u> | <u>208,534,043</u> | <u>535,167,018</u> | <u>131,329,329</u> |

The above table represents a worst case scenario for credit risk exposure to the Company at 31 December 2015 and 31 December 2014, without taking into account any collateral held or other credit enhancement attached. For on-balance sheet assets, the exposure set out above is based on gross carrying amounts less any impairment.

As shown above, 90.10% of total maximum exposure is derived from loans to customers (31 December 2014: 87.8%).

Management is confident in its ability to continue to control and sustain minimal credit risk exposure to the Company relating to its loans to customers on the following basis:

- 99.7% of the loans in the portfolio are considered to be neither past due nor impaired (31 December 2014: 99.9%)
- The Company has introduced a more stringent selection and collection process for granting loans to customers

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. FINANCIAL RISK MANAGEMENT (continued)

26.1 Credit risk (continued)

(e) Loans to customers

Loans to customers are summarised as follows:

| | 2015 | | 2014 | |
|--------------------------------------------------|-------------|-------------|-------------|-------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Loans to customers neither past due nor impaired | 760,565,245 | 187,793,887 | 469,557,087 | 115,228,733 |
| Loans to customers past due but not impaired | 423,685 | 104,614 | 121,168 | 29,734 |
| Loans to customers individually impaired | 1,848,153 | 456,334 | 463,853 | 113,829 |
| Gross loans | 762,837,083 | 188,354,835 | 470,142,108 | 115,372,296 |
| Provision for bad and doubtful loans | (1,848,153) | (456,334) | (463,853) | (113,829) |
| Net loans to customers | 760,988,930 | 187,898,501 | 469,678,255 | 115,258,467 |

For the purpose of loan provisioning, the expected recovery from collateral (except cash) is not taken into consideration in accordance with the Central Bank's requirements. The total provision for bad and doubtful loans is KHR1,848 million (31 December 2014: KHR464 million), which represents the specific provision required by the Central Bank and additional provision for the loan losses [Refer to 26.1(e-iii) below].

(i) *Loans to customers neither past due nor impaired*

Loans to customers not past due are not considered impaired, unless other information is available to indicate the contrary.

(ii) *Loans to customers past due but not impaired*

Loans to customers less than 30 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans to customers that were past due but not impaired are as follows:

| | 2015 | | 2014 | |
|------------------------|---------|---------|---------|--------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Past due up to 30 days | 423,685 | 104,614 | 121,168 | 29,734 |

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. FINANCIAL RISK MANAGEMENT (continued)

26.1 Credit risk (continued)

(e) Loans to customers (continued)

(iii) *Loans to customers individually impaired*

In accordance with Prakas B7-02-186 dated 13 September 2002 on loan classification and provisioning, loans past due more than 30 days are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

The breakdown of the gross amount of individually impaired loans to customers by due date is as follows:

| | 2015 | | 2014 | |
|------------------------------------------|------------------|----------------|----------------|----------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Short-term loans (less than one year) | | | | |
| Sub-Standard past due days 30 – 59 days | 116,447 | 28,752 | 32,690.41 | 8,022 |
| Doubtful past due days 60 – 89 days | 101,700 | 25,111 | 23,005.27 | 5,645 |
| Loss past due days 90 days or more | 312,939 | 77,269 | 60,725.47 | 14,902 |
| Long-term loans (more than one year) | | | | |
| Sub-Standard past due days 30 - 179 days | 821,222 | 202,771 | 152,456 | 37,413 |
| Doubtful past due days 180 - 359 days | 392,265 | 96,856 | 103,113 | 25,304 |
| Loss past due days 360 days or more | 103,580 | 25,575 | 91,863 | 22,543 |
| | <u>1,848,153</u> | <u>456,334</u> | <u>463,853</u> | <u>113,829</u> |

Most of the customers' collateral is in the form of land or house title receipts (which are not official land title deeds), as the Company generally issues loans to poor entrepreneurs in the provinces. The Company does not perform, during the period of loan, a revaluation of collateral either internally or externally. Since no legal official land title deeds have been obtained, no values have been ascribed to the collateral. Under the Central Bank's regulations, the value of collateral is not taken into account when determining the impairment of loans to customers.

(iv) *Loans to customers renegotiated*

There were no renegotiated/restructured loans to customers at 31 December 2015 and 31 December 2014.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. FINANCIAL RISK MANAGEMENT (continued)

26.1 Credit risk (continued)

(e) Loans to customers (continued)

(v) *Credit risk exposure by geographical*

| | 2015 | | 2014 | |
|----------|--------------------|--------------------|--------------------|--------------------|
| | <u>KHR'000</u> | <u>US\$</u> | <u>KHR'000</u> | <u>US\$</u> |
| Cambodia | <u>760,988,930</u> | <u>187,898,501</u> | <u>469,678,255</u> | <u>115,258,467</u> |
| | <u>760,988,930</u> | <u>187,898,501</u> | <u>469,678,255</u> | <u>115,258,467</u> |

(f) Repossessed collateral

During the year ended 31 December 2015, the Company did not obtain any assets by taking possession of collateral held as security (31 December 2014: Nil).

26.2 Market risk

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Company does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hedge its risk exposure.

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk mainly arising from borrowings in various currency exposures, primarily with respect to US\$ and THB.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency.

Management monitors its foreign exchange risk against functional currencies through monitoring the foreign exchange risk by using the absorbed risk of 20% of the net worth required by the Central Bank. The Company does not hedge its foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities by using forward contracts.

The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2015. Included in the table are the Company's financial instruments at carrying amount by currency in KHR'000.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. FINANCIAL RISK MANAGEMENT (continued)

26.2 Market risk (continued)

(i) Foreign exchange risk (continued)

| | KHR'000 | | | Total |
|------------------------------------|--------------------|---------------------|-------------------|--------------------|
| | KHR | US\$ | THB | |
| As at 31 December 2015 | | | | |
| Financial assets | | | | |
| Cash on hand | 1,748,491 | 1,978,150 | 154,984 | 3,881,625 |
| Balances with the Central Bank | 13,411,925 | 18,178,716 | - | 31,590,641 |
| Balances with banks | 8,865,467 | 60,819,237 | 1,032,672 | 70,717,376 |
| Loans to customers | 261,716,816 | 451,775,832 | 47,496,282 | 760,988,930 |
| Other assets | 5,273,781 | 6,724,176 | 858,615 | 12,856,572 |
| Total financial assets | 291,016,480 | 539,476,111 | 49,542,553 | 880,035,144 |
| Financial liabilities | | | | |
| Deposits from customers | 127,583 | 987,053 | - | 1,114,636 |
| Bank overdrafts | 3,980,411 | - | - | 3,980,411 |
| Borrowings | 137,373,810 | 541,908,829 | 37,862,775 | 717,145,414 |
| Other payables | 11,498,900 | 7,706,118 | 1,170,243 | 20,375,261 |
| Total financial liabilities | 152,980,704 | 550,602,000 | 39,033,018 | 742,615,722 |
| Net financial assets | 138,035,776 | (11,125,889) | 10,509,535 | 137,419,422 |
| As at 31 December 2014 | | | | |
| Financial assets | | | | |
| Cash on hand | 768,546 | 745,240 | 146,832 | 1,660,618 |
| Balances with the Central Bank | 21,338 | 2,330 | - | 23,668 |
| Balances with banks | 6,540,640 | 48,969,178 | 1,144,775 | 56,654,593 |
| Loans to customers | 183,669,185 | 247,573,450 | 38,435,620 | 469,678,255 |
| Other assets | 3,744,228 | 4,383,819 | 706,123 | 8,834,170 |
| Total financial assets | 194,743,937 | 301,674,017 | 40,433,350 | 536,851,304 |
| Financial liabilities | | | | |
| Bank overdrafts | 12,439,577 | - | - | 12,439,577 |
| Borrowings | 81,128,751 | 298,460,632 | 39,385,697 | 418,975,080 |
| Other payables | 6,313,645 | 4,484,635 | 912,570 | 11,710,850 |
| Total financial liabilities | 99,881,973 | 302,945,267 | 40,298,267 | 443,125,507 |
| Net financial assets | 94,861,964 | (1,271,250) | 135,083 | 93,725,797 |

As at 31 December 2015, if the KHR had weakened/strengthened by 2% [based on the fluctuation of exchange rate for the last three years] against US\$ with all other variables held constant, the recalculated net profit for the year would have been KHR223 million higher/lower, mainly as a result of foreign exchange gains/losses on translation of its financial assets and financial liabilities.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. FINANCIAL RISK MANAGEMENT (continued)

26.2 Market risk (continued)

(i) Foreign exchange risk (continued)

As at 31 December 2015, if the KHR had weakened/strengthened by 2% [based on the fluctuation of exchange rate for the last three years] against THB with all other variables held constant, the recalculated net profit for the year would have been KHR210 million higher/lower, mainly as a result of foreign exchange gains/losses on translation of its financial assets and financial liabilities.

(ii) Price risk

The Company is not exposed to a securities price risk because it does not have any investment held and classified on the balance sheet either as available for sale or at fair value through profit or loss. The Company does not currently have a policy to manage its price risk.

(iii) Interest rate risk

Cash flows interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes but may reduce losses in the event that unexpected movements arise. The Company at this stage does not have a policy to set limits on the level of mismatch of interest rate repricing that may be undertaken; however, management regularly monitors the mismatch.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at the carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

The Company's financial assets and financial liabilities bear fixed interest rates, except for borrowings from lenders of KHR113,400 million (US\$28 million dominated in US\$) as at 31 December 2015 bearing the floating interest rates using LIBOR plus certain margin. With all other variables held constant, if the floating interest rate fluctuates by 50% (based on the fluctuation for the last three years) against the average LIBOR rate of 0.35% per annum (2015), net profit for the year will fluctuate by KHR187 million.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. FINANCIAL RISK MANAGEMENT (continued)

26.2 Market risk (continued)

(iii) Interest rate risk (continued)

| | Up to 1 month KHR'000 | > 1 – 3 months KHR'000 | > 3 – 12 months KHR'000 | > 1 – 5 years KHR'000 | Over 5 Years KHR'000 | Non-interest bearing KHR'000 | Total KHR'000 |
|-------------------------------------|-----------------------------|------------------------------|-------------------------------|-----------------------------|----------------------------|------------------------------------|--------------------|
| As at 31 December 2015 | | | | | | | |
| Financial assets | | | | | | | |
| Cash on hand | - | - | - | - | - | 3,881,625 | 3,881,625 |
| Balances with the Central Bank | - | - | - | - | - | 31,590,641 | 31,590,641 |
| Balances with banks | 11,911,967 | 4,904,130 | 38,751,750 | - | - | 15,149,529 | 70,717,376 |
| Loans to customers | 32,121,560 | 83,813,194 | 368,085,216 | 276,954,307 | 14,653 | - | 760,988,930 |
| Other assets | - | - | - | - | - | 12,856,572 | 12,856,572 |
| Total financial assets | 44,033,527 | 88,717,324 | 406,836,966 | 276,954,307 | 14,653 | 63,478,367 | 880,035,144 |
| Financial liabilities | | | | | | | |
| Deposits from customers | 549,204 | 15,575 | 464,067 | 85,790 | - | - | 1,114,636 |
| Bank overdrafts | - | - | 3,980,411 | - | - | - | 3,980,411 |
| Borrowings | 59,265,481 | 23,342,003 | 219,431,123 | 373,964,787 | 40,831,020 | 311,000 | 717,145,414 |
| Other liabilities | - | - | - | - | - | 20,375,261 | 20,375,261 |
| Total financial liabilities | 59,814,685 | 23,357,578 | 223,875,601 | 374,050,577 | 40,831,020 | 20,686,261 | 742,615,722 |
| Total interest repricing gap | (15,781,158) | 65,359,746 | 182,961,365 | (97,096,270) | (40,816,367) | 42,792,106 | 137,419,422 |

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. FINANCIAL RISK MANAGEMENT (continued)

26.2 Market risk (continued)

(iii) Interest rate risk (continued)

| | Up to 1 month KHR'000 | > 1 – 3 months KHR'000 | > 3 – 12 Months KHR'000 | > 1 – 5 years KHR'000 | Over 5 Years KHR'000 | Non-interest bearing KHR'000 | Total KHR'000 |
|-------------------------------------|-----------------------------|------------------------------|-------------------------------|-----------------------------|----------------------------|------------------------------------|--------------------|
| As at 31 December 2014 | | | | | | | |
| Financial assets | | | | | | | |
| Cash on hand | - | - | - | - | - | 1,660,618 | 1,660,618 |
| Balances with the Central Bank | - | - | - | - | - | 23,668 | 23,668 |
| Balances with banks | 8,249,072 | 4,710,647 | 40,069,409 | - | - | 3,625,465 | 56,654,593 |
| Loans to customers | 23,629,266 | 59,381,352 | 259,764,722 | 126,832,825 | 70,090 | - | 469,678,255 |
| Other assets | - | - | - | - | - | 8,834,170 | 8,834,170 |
| Total financial assets | 31,878,338 | 64,091,999 | 299,834,131 | 126,832,825 | 70,090 | 14,143,921 | 536,851,304 |
| Financial liabilities | | | | | | | |
| Bank overdrafts | - | - | 2,678,858 | 9,760,719 | - | - | 12,439,577 |
| Borrowings | 25,795,833 | 40,811,306 | 117,975,215 | 214,291,001 | 19,261,574 | 840,151 | 418,975,080 |
| Other liabilities | - | - | - | - | - | 11,710,850 | 11,710,850 |
| Total financial liabilities | 25,795,833 | 40,811,306 | 120,654,073 | 224,051,720 | 19,261,574 | 12,551,001 | 443,125,507 |
| Total interest repricing gap | 6,082,505 | 23,280,693 | 179,180,058 | (97,218,895) | (19,191,484) | 1,592,920 | 93,725,797 |

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. FINANCIAL RISK MANAGEMENT (continued)

26.3 Liquidity risk

Liquidity risk is the risk of the Company being unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay lenders and fulfil commitments to lend.

(a) Liquidity risk management process

The Company's management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the reviewing of the daily cash position and projections for the next day, week and month, as these are key periods for liquidity management. Management monitors the movement of the main depositors and lenders and projections of their withdrawals.

(b) Funding approach

The Company's main sources of liquidity arise from the shareholders' paid-up capital and borrowings. The sources of liquidity are reviewed regularly through management's review of the maturity of borrowings.

(c) Non-derivative cash flows

The table on the following page presents the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on the expected undiscounted cash flows.

LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

26. FINANCIAL RISK MANAGEMENT (continued)

26.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

| | Up to 1 month KHR'000 | > 1 – 3 months KHR'000 | > 3 – 12 months KHR'000 | > 1 – 5 years KHR'000 | Over 5 years KHR'000 | Total KHR'000 |
|-----------------------------------------------------------------|-----------------------------|------------------------------|-------------------------------|-----------------------------|----------------------------|----------------------|
| As at 31 December 2015 | | | | | | |
| Liabilities | | | | | | |
| Deposits from customers | 549,204 | 15,575 | 464,067 | 85,790 | - | 1,114,636 |
| Bank overdrafts | - | - | 3,988,372 | - | - | 3,988,372 |
| Borrowings | 23,137,272 | 23,877,439 | 221,811,905 | 513,153,311 | 42,012,524 | 823,992,451 |
| Other liabilities | 5,915,467 | 9,770,481 | 4,689,313 | - | - | 20,375,261 |
| Total financial liabilities (contractual maturing dates) | <u>29,601,943</u> | <u>33,663,495</u> | <u>230,953,657</u> | <u>513,239,101</u> | <u>42,012,524</u> | <u>849,470,720</u> |
| Total financial assets (expected maturing dates) | <u>124,540,080</u> | <u>121,607,603</u> | <u>503,360,816</u> | <u>328,570,433</u> | <u>14,886</u> | <u>1,078,093,818</u> |
| Net liquidity gap in KHR'000 | <u>94,938,137</u> | <u>87,944,108</u> | <u>272,407,159</u> | <u>(184,668,668)</u> | <u>(41,997,638)</u> | <u>228,623,098</u> |
| Equivalent in US\$ | <u>23,441,515</u> | <u>21,714,595</u> | <u>67,261,027</u> | <u>(45,597,202)</u> | <u>(10,369,787)</u> | <u>56,450,148</u> |
| As at 31 December 2014 | | | | | | |
| Liabilities | | | | | | |
| Bank overdrafts | - | - | 2,937,814 | 11,154,197 | - | 14,092,011 |
| Borrowings | 3,399,390 | 46,339,275 | 150,357,319 | 258,248,447 | 21,378,830 | 479,723,261 |
| Other liabilities | 6,340,975 | 2,438,871 | 2,931,004 | - | - | 11,710,850 |
| Total financial liabilities (contractual maturing dates) | <u>9,740,365</u> | <u>48,778,146</u> | <u>156,226,137</u> | <u>269,402,644</u> | <u>21,378,830</u> | <u>505,526,122</u> |
| Total financial assets (expected maturing dates) | <u>48,965,041</u> | <u>84,677,269</u> | <u>357,805,620</u> | <u>147,483,850</u> | <u>71,249</u> | <u>639,003,029</u> |
| Net liquidity gap in KHR'000 | <u>39,224,676</u> | <u>35,899,123</u> | <u>201,579,483</u> | <u>(121,918,794)</u> | <u>(21,307,581)</u> | <u>133,476,907</u> |
| Equivalent in US\$ | <u>9,625,687</u> | <u>8,809,601</u> | <u>49,467,358</u> | <u>(29,918,722)</u> | <u>(5,228,854)</u> | <u>32,755,070</u> |

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. FINANCIAL RISK MANAGEMENT (continued)

26.3 Liquidity risk (continued)

(d) Off-balance sheet items

Operating lease commitments

Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as disclosed in Note 24.

26.4 Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value

The Company does not have any financial instruments measured at fair value.

(b) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair value of those financial assets and liabilities not presented on the Company's balance sheet at their fair value.

| | Carrying value | | Fair value | |
|--------------------------------|-----------------------|--------------------|--------------------|--------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | KHR'000 | KHR'000 | KHR'000 | KHR'000 |
| Financial assets | | | | |
| Balances with the Central Bank | 31,590,641 | 23,668 | 31,590,641 | 23,668 |
| Balances with banks | 70,717,376 | 56,654,593 | 70,717,376 | 56,654,593 |
| Loans to customers | 760,988,930 | 469,678,255 | 760,988,930 | 469,678,255 |
| Other assets | 12,856,572 | 8,834,170 | 12,856,572 | 8,834,170 |
| | <u>876,153,519</u> | <u>535,190,686</u> | <u>876,153,519</u> | <u>535,190,686</u> |
| Financial liabilities | | | | |
| Deposits from customers | 1,114,636 | - | 1,114,636 | - |
| Bank overdrafts | 3,980,411 | 12,439,577 | 3,980,411 | 12,439,577 |
| Borrowings | 717,145,414 | 418,975,080 | 717,145,414 | 418,975,080 |
| Other liabilities | 20,375,261 | 11,710,850 | 20,375,261 | 11,710,850 |
| | <u>742,615,722</u> | <u>443,125,507</u> | <u>742,615,722</u> | <u>443,125,507</u> |

(i) *Balances with the Central Bank*

Balances with the Central Bank include current accounts and term deposits (less than 12 months). The fair value of balances with the Central Bank approximates the carrying amount.

**LOLC (CAMBODIA) PLC.
(FORMERLY KNOWN AS THANEAKEA PHUM (CAMBODIA) LTD.)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. FINANCIAL RISK MANAGEMENT (continued)

26.4 Fair value of financial assets and liabilities (continued)

(b) Financial instruments not measured at fair value (continued)

(ii) *Balances with banks*

Balances with banks include non-interest bearing current accounts, savings deposits and term deposits. The fair value of balances with banks approximates the carrying amount. These balances will be mature within one year.

(iii) *Loans to customers*

Loans to customers are net of provision for bad and doubtful loans and their carrying value approximates fair value.

(iv) *Borrowings*

The borrowings are not quoted in an active market and their value approximates the carrying amount.

26.5 Capital management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the Central Bank;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

The table below summarises the composition of regulatory capital:

| | 2015 | | 2014 | |
|-------------------------------|--------------------|-------------------|--------------------|-------------------|
| | KHR'000 | US\$ | KHR'000 | US\$ |
| Tier 1 Capital | | | | |
| Share capital | 23,368,200 | 5,769,926 | 23,368,200 | 5,734,528 |
| Reserves | 4,279,558 | 1,056,681 | 3,695,520 | 906,876 |
| Retained earnings | 118,153,509 | 29,173,705 | 69,927,976 | 17,160,240 |
| Less: Loan to related parties | (317,008) | (78,273) | - | - |
| | <u>145,484,259</u> | <u>35,922,039</u> | <u>96,991,696</u> | <u>23,801,644</u> |
| Tier 2 Capital | | | | |
| Subordinated debt (*) | <u>16,200,000</u> | <u>4,000,000</u> | <u>8,150,000</u> | <u>2,000,000</u> |
| Total regulatory capital | <u>161,684,259</u> | <u>39,922,039</u> | <u>105,141,696</u> | <u>25,801,644</u> |

(*) Subordinated debt was approved by the Central Bank in September 2014 and April 2015.

APPENDIX: NOTES ON REQUIREMENT OF THE CENTRAL BANK'S PRAKAS

**REQUIREMENT OF THE CENTRAL BANK PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. SOLVENCY RATIO, Prakas No. B7-07-163

A licensed deposit-taking microfinance institution shall at all times maintain a solvency ratio of more than 15% of the institution's net worth. As at 31 December 2015, the solvency ratio of the Company was 18.75%.

The solvency ratio calculation is detailed in Schedule 1.

2. LIQUIDITY RATIO, Prakas No. B7-07-163

A licensed deposit-taking microfinance institution shall at all times maintain a liquidity ratio of at least 50%. As at 31 December 2015, the liquidity ratio of the Company was 27,234%.

The liquidity ratio calculation is detailed in Schedule 2.

3. NET OPEN POSITION IN FOREIGN CURRENCY, Prakas No B7-07-134

A licensed microfinance institution shall at all times maintain a net open position in foreign currencies in either any foreign currency or an overall net open position in all foreign currencies, whether long or short, which shall not exceed 20% of the Company's net worth. As at 31 December 2015, the net open position in US\$ and THB were short 0.96% and long 6.55% respectively.

The net open position calculation is detailed in Schedule 3.

4. RESERVE REQUIREMENT, Prakas No. B7-07-163

A licensed microfinance institution shall deposit 8% of its voluntary deposits into an account maintained with the Central Bank. As at 31 December 2015, the reserve requirement was KHR 113 million which is higher by KHR 24 thousand than the Central Bank's requirement.

The reserve requirement calculation is detailed in Schedule 4.

REQUIREMENT OF THE CENTRAL BANK PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2015

5. LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO,
Prakas No. B7-02-186

Licensed micro-finance institutions shall classify their loan portfolios into the following four classes, depending on the financial situation of the borrower and the timeliness of principal and interest payments.

Loan term of one year or less

- **Standard:** good financial condition and punctual payment of principal and interest.
- **Sub-standard:** some payments of principal and/or interest are overdue by 30 days or more.
- **Doubtful:** some payments of principal and/or interest are overdue by 60 days or more.
- **Loss:** some payments of principal and/or interest are overdue by 90 days or more.

Loan term of more than one year

- **Standard:** good financial condition and punctual payment of principal and interest.
- **Sub-standard:** some payments of principal and/or interest are overdue by 30 days or more.
- **Doubtful:** some payments of principal and/or interest are overdue by 180 days or more.
- **Loss:** some payments of principal and/or interest are overdue by 360 days or more.

Mandatory provisions on the loans classified as follows:

- **Sub-standard:** 10% regardless of the collateral value except cash.
- **Doubtful** : 30% regardless of the collateral value except cash.
- **Loss** : 100%.

As at 31 December 2015, the mandatory provision provided by the Company was KHR 658 million.

Loan classification, provision and delinquency ratio calculation are detailed in Schedule 5.

SCHEDULE 1
NET WORTH AND SOLVENCY RATIO AS AT 31 DECEMBER 2015

NET WORTH RATIO

| | <u>KHR'000</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| <i>I- Sub-total A : Items to be added</i> | |
| - Capital or endowment | 23,368,200 |
| - Reserve, other than revaluation reserves | 4,279,558 |
| - Premium related to capital (share premiums) | - |
| - Provision for general banking risks, with the prior agreement of the NBC | - |
| - Retained earnings | 69,343,938 |
| - Audited net profit for the latest financial year | 48,809,571 |
| - Other items approved by the National Bank of Cambodia | - |
| | <u>145,801,267</u> |
| <i>II- Sub-total B : Items to be deducted</i> | |
| - For shareholders, directors, managers and their next of kind | |
| > Unpaid portion of capital | - |
| > Advances, loans, security and the agreement of the persons concerned as defined above | 317,008 |
| - Holding of own shares at their book value | - |
| - Accumulated losses | - |
| - Formation expenses | - |
| - Losses determined on dates other than the end of the annual accounting period (including provisions to be made for doubtful debt and securities) | - |
| | <u>317,008</u> |
| <i>III- Total C : BASE NET WORTH = A – B</i> | <u>145,484,259</u> |
| <i>IV- Sub-total D : Items to be added</i> | |
| - Revaluation reserves, with the prior agreement of the NBC | - |
| - Subordinated debt, with the prior agreement of the NBC, up to 100% of base net worth | 16,200,000 |
| - Other items, with the prior agreement of the NBC, could be included in the calculation of net worth and shall not be more than base net worth | - |
| | <u>16,200,000</u> |
| <i>V- Sub-total E : Items to be deducted</i> | |
| - Equity participation in banking and financial institutions | - |
| - Other items | - |
| | <u>-</u> |
| <i>VI- Total F: TOTAL NET WORTH = C + D – E</i> | <u>161,684,259</u> |

**SCHEDULE 1
NET WORTH AND SOLVENCY RATIO AS AT 31 DECEMBER- 2015**

SOLVENCY RATIO

| | <u>KHR'000</u> | | |
|------------------------------------------|-----------------------|------------------|----------------------|
| I- Numerator (A) | | | |
| Net worth | | | <u>161,684,259</u> |
| II- Denominator (B) | | | |
| Assets (*) | KHR '000 | Weighting | |
| - Cash | 3,881,625 | 0% | - |
| - Gold | - | 0% | - |
| - Claims on the NBC | 34,040,692 | 0% | - |
| - Assets collateralized by deposits | - | 0% | - |
| - Claims on sovereigns rated AAA to AA- | - | 0% | - |
| - Claims on sovereigns rated A+ to A- | - | 20% | - |
| - Claims on banks rated AAA to AA- | - | 20% | - |
| - Claims on sovereigns rated BBB to BBB- | - | 50% | - |
| - Claims on banks rated A+ to A- | - | 50% | - |
| - All other assets | <u>862,496,075</u> | 100% | <u>862,496,075</u> |
| | <u>900,418,392</u> | | <u>862,496,075</u> |
| III- Solvency ratio (A/B) | | | <u><u>18.75%</u></u> |

(*): The denominator of the ratio shall comprise the aggregate of the assets (net amount after deduction of provision and depreciation) and off-balance sheet items, weighted to their degree of risk. It excludes the items which are deducted in calculating the net worth according to the provisions of the Prakas on the calculation of microfinance institutions' net worth.

**SCHEDULE 2
LIQUIDITY RATIO AS AT 31 DECEMBER 2015**

| | <u>KHR'000</u> |
|---------------------------------------------------------------|--------------------|
| I- Numerator: LIQUID ASSETS (A) | |
| Cash on hand | 3,881,625 |
| Balances with the Central Bank (excluding statutory deposits) | 31,590,641 |
| Balances with other banks | <u>27,061,496</u> |
| | <u>62,533,762</u> |
| <i>Less:</i> | |
| - Amounts owed to NBC | - |
| - Amounts owed to other banks (maturity less than one month) | <u>18,765,481</u> |
| | <u>18,765,481</u> |
| Net liquidity | <u>43,768,281</u> |
| <i>Plus:</i> | |
| - Portion of loans maturing in less than one month | <u>32,121,560</u> |
| LIQUID ASSETS | <u>75,889,841</u> |
| II- Denominator: ADJUSTED AMOUNT OF DEPOSITS (B) | |
| | KHR'000 % |
| Voluntary savings | 25% <u>278,659</u> |
| III- LIQUIDITY RATIO (A/B) | <u>27,234%</u> |

SCHEDULE 3
NET OPEN POSITION AS AT 31 DECEMBER 2015

| Currency | Assets KHR'000 | Liabilities and capital KHR'000 | Net open position KHR'000 | NOP/ Net worth % | Limit % |
|-------------------|--------------------|---------------------------------------|---------------------------------|------------------------|------------|
| Khmer Riel (KHR) | 301,993,064 | (311,032,180) | (9,039,116) | -5.59% | 20% |
| US Dollars (US\$) | 549,118,204 | (550,670,202) | (1,551,998) | -0.96% | 20% |
| Thai Baht (THB) | 49,624,132 | (39,033,018) | 10,591,114 | 6.55% | 20% |
| Total | <u>900,735,400</u> | <u>(900,735,400)</u> | <u>-</u> | | |
| Net worth | | | <u>161,684,259</u> | | |

SCHEDULE 4
RESERVE REQUIREMENT AS AT 31 DECEMBER 2015

| | <u>KHR'000</u> |
|--------------------------------------|------------------|
| 1-Voluntary | |
| 1-1 Demand | - |
| 1-2 Saving | 548,004 |
| 1-3 Term | 566,632 |
| 1-4 Other | - |
| 1-5 Total Reservable Deposits | <u>1,114,636</u> |
| 2- Compulsory | |
| 2-1 Program | - |
| 2-2 Program | - |
| 2-3 Program | - |
| 2-4 Total Compulsory saving | <u>-</u> |
| 3- Total saving mobilized | <u>-</u> |
| 8% Reservable Deposit | <u>89,171</u> |

**SCHEDULE 5
LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO
AS AT 31 DECEMBER 2015**

| | Amount KHR'000 | Rate % | Specific Provision KHR'000 |
|----------------------------------------|---------------------------|-------------------|-------------------------------------------|
| Loan classification | | | |
| 1-Loans of one year or less | | | |
| 1-1 Standard | 213,783,649 | 0% | - |
| 1-2 Substandard Past Due ≥ 30 days | 116,447 | 10% | 11,645 |
| 1-3 Doubtful Past Due ≥ 60 days | 101,700 | 30% | 30,508 |
| 1-4 Loss Past Due ≥ 90 days | 312,939 | 100% | 312,939 |
| Sub-Total 1 | <u>214,314,735</u> | | <u>355,092</u> |
| 2-Loans of more than one year | | | |
| 2-1 Standard | 547,205,281 | 0% | - |
| 2-2 Substandard Past Due ≥ 30 days | 821,222 | 10% | 82,122 |
| 2-3 Doubtful Past Due ≥ 180 days | 392,265 | 30% | 117,678 |
| 2-4 Loss Past Due ≥ 360 days | 103,580 | 100% | 103,580 |
| Sub-Total 2 | <u>548,522,348</u> | | <u>303,380</u> |
| Grand total 1+2 | <u><u>762,837,083</u></u> | | <u><u>658,472</u></u> |
| All loan past due ≥ 30 days (A) | | | 1,848,153 |
| Loan outstanding (B) | | | <u>762,837,083</u> |
| Delinquency ratio (A/B) | | | <u>0.24%</u> |