LOLC (CAMBODIA) PLC.

Condensed Interim Financial Statements for the three-month period and the year ended 31 December 2019 and Report of the Independent Auditors

Corporate Information

Company	LOLC (Cambodia) Plc.
Registration No.	00012829
Registered office	Building No. 666B, Street 271 Sangkat Boeung Tumpun 2, Khan Mean Chey Phnom Penh, Kingdom of Cambodia
Shareholders	LOLC Private Limited TPC-ESOP Co., Ltd.
Board of Directors	Mr. Brindley Chrishantha Gajanayake de Zylva, Chairman Mr. Indrajith Wijesiriwardana, Member Mr. Hans Michael Theodor Moormann, Member Mr. Dulip Rasika Samaraweera, Member Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias, Member
Audit committee	Mr. Hans Michael Theodor Moormann, Chairman Mr. Brindley Chrishantha Gajanayake de Zylva, Member Mr. Indrajith Wijesiriwardana, Member
Risk committee	Mr. Hans Michael Theodor Moormann, Chairman Mr. Brindley Chrishantha Gajanayake de Zylva, Member Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias, Member
Appointment and remuneration committee	Mr. Indrajith Wijesiriwardana, Chairman Mr. Dulip Rasika Samaraweera, Member Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias, Member
Executive committee	Mr. Sok Voeun, Chief Executive Officer Mr. Sok Sophal, Deputy Chief Executive Officer/Chief Finance Officer Mr. Damburae Liyanage Duleep Roshan, Chief Information Officer Mrs. Svoeuy Sodyna, Chief Risk Officer Mr. Romesh Perera, Chief Channel Officer Mrs. Chheang Kagna, Chief Digital Financial Services and Deposit Officer Mrs. Leng Thavy, Head of Human Resources Department Mrs. Keo Taraty, Head of Finance Department Mrs. Try Sola, Head of Treasury Department Mr. Seam Hak, Head of Administration and Procurement Department Mr. Hul Sovutha, Head of Information Technology Department Mr. Chhuon Sokcheth, Head of Marketing Department Mr. Teng Pheap, Head of Internal Audit Department Mr. Ban Phalleng, Head of Compliance Department Mr. Nuth Theng, Head of Business Department Mr. Muth Pisey, Head of Credit Department Mr. Yin Pholy, Head of Asset Backed Finance Department (appointed on 16 May 2019) Mr. Tun Korng, Deputy Head of Credit Department
Auditors	KPMG Cambodia Ltd

LOLC (Cambodia) Plc.

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Report of the Board of Directors

The Board of Directors ("the Directors" or "the Board") hereby has summited its report together with the reviewed condensed interim financial statements of LOLC (Cambodia) Plc. ("the Company"), for the three-month period and the year ended 31 December 2019.

Principal activity

The principal activity of the Company is to provide micro-finance services (deposit-taking and lending) to the rural population, micro-enterprises and small and medium enterprises through its head office in Phnom Penh and its various branches in the Kingdom of Cambodia.

There were no significant changes to this principal activity during the period.

Financial results

The financial results of the Company for the year ended 31 December 2019 were as follows:

	Year ended 31 December 2019		Year ended 31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Profit before income tax	158,688,923	39,134,135	78,541,778	19,421,804
Income tax expense	(17,266,072)	(4,257,971)	(20,747,922)	(5,130,545)
Net profit for the year	141,422,851	34,876,164	57,793,856	14,291,259

Dividends

No dividend was declared or paid and the Directors do not recommend any dividend to be paid for the period under review.

Share capital

On 19 August 2019, the Company sent the request letter to the NBC to increase the share capital to KHR224,377,400 thousand (equivalent to US$55,444,746). The request was approved by the NBC on 28 October 2019.

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Reserves and provisions

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

Bad and doubtful loans to customers

Before the condensed interim financial statements of the Company were prepared, the Directors took reasonable steps to ascertain that appropriate action had been taken in relation to the writing off of bad loans to customers, and the making of allowance for doubtful loans to customers, and satisfied themselves that all known bad loans to customers had been written off and adequate allowance had been made for bad and doubtful loans to customers.

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

Current assets

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

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

Valuation methods

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

Contingent and other liabilities

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

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

(b) any contingent liability in respect of the Company that has arisen since the end of the financial period other than in the ordinary courses of banking business.

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

LOLC (Cambodia) Plc.

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 condensed interim financial statements of the Company, which would render any amount stated in the condensed interim financial statements misleading.

Items of unusual nature

The results of the operations of the Company for the financial period were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial period 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 financial period in which this report is made.

Events since the reporting date

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

Board of Directors

The members of the Board of Directors of the Company during the period and up to the date of this report are:

Mr. Brindley Chrishantha Gajanayake de Zylva	Chairman
Mr. Indrajith Wijesiriwardana	Member
Mr. Hans Michael Theodor Moormann	Member
Mr. Dulip Rasika Samaraweera	Member
Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias	Member

Directors' interests

No Directors hold a controlling interest in the equity of the Company.

Directors' benefits

Since the end of the previous financial period, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments receivable by the Directors as disclosed in the condensed interim financial statements) by reason of a contract made by the Company or a related corporation with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest other than as disclosed in the condensed interim financial statements.

LOLC (Cambodia) Plc.

Directors' responsibility in respect of the condensed interim financial statements

The Board of Directors is responsible for ascertaining that the condensed interim financial statements 31 December 2019, and its financial performance and its cash flows for the three-month period and the year then ended.

In preparing these condensed interim financial statements, the Board of Directors is required to:

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

(ii) comply with Cambodian International Accounting Standard 34, "*Interim Financial Reporting*" or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the condensed interim financial statements;

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

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

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

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

Approval of the condensed interim financial statements

I, on behalf of Board of Directors, hereby approve the accompanying condensed interim financial statements as at 31 December 2019 and for the three-month period and the year then ended as set out on pages 7 to 64 are prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, "*Interim Financial Reporting*".

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

Mr. Brindley Chrishantha Gajanayake de Zylva
Chairman

Phnom Penh, Kingdom of Cambodia

Date: 14 FEB 2020

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Report of the independent auditors

To the shareholders
LOLC (Cambodia) Plc.

Introduction

We have reviewed the accompanying condensed interim statement of financial position of LOLC (Cambodia) Plc. ("the Company") as at 31 December 2019, and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period and the year then ended and notes to the condensed interim financial information as set out on pages 7 to 64 ("the condensed interim financial information"). Management is responsible for the preparation of this condensed interim financial information in accordance with Cambodian International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Cambodian International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Cambodian International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 31 December 2019 and for the three-month period and the year then ended is not prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, "Interim Financial Reporting".

Other Matter

We draw attention to the fact that we have not reviewed the condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 31 December 2018, or any of the related notes and accordingly, we do not express conclusion and any form of assurance on them.

For **KPMG Cambodia Ltd**

Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

14 February 2020

LOLC (Cambodia) Plc.

Condensed interim statement of financial position as at 31 December 2019

	Note	31 December 2019		31 December 2018		1 January 2018	
		KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
ASSETS							
Cash on hand	23	105,185,581	25,812,413	49,019,393	12,199,948	18,201,556	4,508,684
Balances with the National Bank of Cambodia	6	758,019,461	186,017,046	317,522,746	79,025,074	62,104,046	15,383,712
Balances with other banks - net	7	77,291,436	18,967,224	108,150,865	26,916,592	96,268,268	23,846,487
Loans to customers - net	8	3,104,787,165	761,910,961	1,914,009,982	476,358,881	1,279,814,355	317,021,143
Investment		61,125	15,000	60,270	15,000	60,555	15,000
Other assets		15,331,600	3,762,355	18,134,179	4,513,235	4,617,456	1,143,784
Property and equipment	9	7,841,251	1,924,233	6,544,540	1,628,805	7,500,097	1,857,839
Intangible assets	10	5,100,225	1,251,589	4,505,809	1,121,406	3,389,765	839,674
Right-of-use assets	11	19,667,509	4,826,383	18,384,941	4,575,645	18,473,235	4,575,981
Deferred tax assets – net	12(c)	9,127,261	2,239,819	7,581,894	1,886,982	4,404,378	1,091,003
Total assets		4,102,412,614	1,006,727,023	2,443,914,619	608,241,568	1,494,833,711	370,283,307

LOLC (Cambodia) Plc.

Condensed interim statement of financial position (continued)
as at 31 December 2019

	Note	31 December 2019		31 December 2018		1 January 2018	
		KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
LIABILITIES AND EQUITY							
Liabilities							
Deposits from customers	13	1,864,970,492	457,661,470	951,905,926	236,910,385	370,736,597	91,834,678
Provision for employee benefits	14	2,850,672	699,552	4,323,740	1,076,093	-	-
Other liabilities		30,894,270	7,581,416	35,607,866	8,862,087	21,705,780	5,376,710
Borrowings	15	1,547,047,177	379,643,479	1,096,903,200	272,997,312	833,017,792	206,345,750
Debt securities issued	16	81,714,374	20,052,607	-	-	-	-
Current income tax liability	12(b)	13,621,187	3,342,623	20,523,933	5,107,997	13,836,836	3,427,505
Lease liabilities	17	18,602,031	4,564,916	16,891,194	4,203,881	16,418,402	4,066,981
Total liabilities		3,559,700,203	873,546,063	2,126,155,859	529,157,755	1,255,715,407	311,051,624
Equity							
Share capital	18	224,377,400	55,444,746	120,000,000	29,704,327	71,684,100	17,756,775
Advance capital contribution		-	-	20,846,600	5,154,946	-	-
General reserves	19(a)	210,415,116	51,967,426	110,415,116	27,306,514	7,168,410	1,775,677
Regulatory reserves	19(b)	10,694,759	2,645,036	8,384,769	2,075,371	4,632,244	1,147,447
Retained earnings		97,225,136	24,082,317	58,112,275	14,436,730	155,633,550	38,551,784
Currency translation difference		-	(958,565)	-	405,925	-	-
Total equity		542,712,411	133,180,960	317,758,760	79,083,813	239,118,304	59,231,683
Total liabilities and equity		4,102,412,614	1,006,727,023	2,443,914,619	608,241,568	1,494,833,711	370,283,307

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

LOLC (Cambodia) Plc.

Condensed interim statement of profit or loss and comprehensive income for the three-month period and the year ended 31 December 2019

	Note	Three-month period ended 31 December 2019 KHR'000	Three-month period ended 31 December 2019 US$ (Note 4)	Three-month period ended 31 December 2018 (Not reviewed) KHR'000	Three-month period ended 31 December 2018 (Not reviewed) US$ (Note 4)	Year ended 31 December 2019 KHR'000	Year ended 31 December 2019 US$ (Note 4)	Year ended 31 December 2018 KHR'000	Year ended 31 December 2018 US$ (Note 4)
Interest income	20	149,595,696	36,891,664	83,187,110	20,570,502	471,493,078	116,274,495	314,855,256	77,857,383
Interest expense	20	(67,340,985)	(16,606,901)	(40,000,095)	(9,891,220)	(215,485,800)	(53,140,764)	(138,562,482)	(34,263,720)
Net interest income		82,254,711	20,284,763	43,187,015	10,679,282	256,007,278	63,133,731	176,292,774	43,593,663
Impairment losses on loans to customers	8	(5,639,508)	(1,390,754)	(4,222,979)	(1,044,258)	(19,875,484)	(4,901,476)	(16,066,592)	(3,972,946)
Impairment on balances with other banks		253,825	62,596	(1,092,433)	(270,137)	328,885	81,106	(1,092,433)	(270,137)
Total operating profit		76,869,028	18,956,605	37,871,603	9,364,887	236,460,679	58,313,361	159,133,749	39,350,580
Other income		5,295,775	1,305,986	13,116,027	3,243,330	70,736,898	17,444,364	40,630,762	10,047,172
Commission expenses		(863,674)	(212,990)	(653,452)	(161,586)	(3,543,768)	(873,926)	(2,398,475)	(593,095)
Personnel expenses	21	(28,530,892)	(7,035,978)	(22,433,036)	(5,547,239)	(100,060,719)	(24,675,886)	(76,035,389)	(18,802,025)
Depreciation and amortisation		(2,756,160)	(679,694)	(2,397,271)	(592,797)	(10,307,083)	(2,541,820)	(9,034,468)	(2,234,043)
General and administrative expenses	22	(10,421,787)	(2,570,108)	(11,697,851)	(2,892,644)	(36,166,742)	(8,919,049)	(33,444,843)	(8,270,238)
Net foreign exchange gain/(loss)		193,584	47,740	(942,716)	(233,115)	1,569,658	387,091	(309,558)	(76,547)
Profit before income tax		39,785,874	9,811,561	12,863,304	3,180,836	158,688,923	39,134,135	78,541,778	19,421,804
Income tax expense	12(d)	9,477,250	2,337,176	(4,301,615)	(1,063,703)	(17,266,072)	(4,257,971)	(20,747,922)	(5,130,545)
Net profit for the period/year		49,263,124	12,148,737	8,561,689	2,117,133	141,422,851	34,876,164	57,793,856	14,291,259
Other comprehensive loss:									
Currency translation difference		-	596,573	-	1,166,209	-	(958,565)	-	405,925
Total comprehensive income for the period/year		49,263,124	12,745,310	8,561,689	3,283,342	141,422,851	33,917,599	57,793,856	14,697,184

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

LOLC (Cambodia) Plc.

Condensed interim statement of changes in equity
for the three-month period and the year ended 31 December 2019

	Share capital		Advance capital contribution		General reserves		Regulatory reserves		Retained earnings		Currency translation difference		Total	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Balance as at 1 January 2018	71,684,100	17,756,775	-	-	7,168,410	1,775,677	4,632,244	1,147,447	155,633,550	38,551,784	-	-	239,118,304	59,231,683
Additional share capital issued	48,315,900	11,947,552	20,846,600	5,154,946	-	-	-	-	(48,315,900)	(11,947,552)	-	-	20,846,600	5,154,946
Transfer to general reserves	-	-	-	-	103,246,706	25,530,837			(103,246,706)	(25,530,837)	-	-	-	-
Transfer from regulatory reserves to retained earnings	-	-	-	-	-	-	3,752,525	927,924	(3,752,525)	(927,924)	-	-	-	-
Comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	-	57,793,856	14,291,259	-	-	57,793,856	14,291,259
Currency translation difference	-	-	-	-	-	-	-	-	-	-	-	405,925	-	405,925
	-	-	-	-	-	-	-	-	57,793,856	14,291,259	-	405,925	57,793,856	14,697,184
Balance as at 31 December 2018	120,000,000	29,704,327	20,846,600	5,154,946	110,415,116	27,306,514	8,384,769	2,075,371	58,112,275	14,436,730	-	405,925	317,758,760	79,083,813
Balance as at 1 January 2019	120,000,000	29,704,327	20,846,600	5,154,946	110,415,116	27,306,514	8,384,769	2,075,371	58,112,275	14,436,730	-	405,925	317,758,760	79,083,813
Transfer from advance capital contribution to share capital	20,846,600	5,140,962	(20,846,600)	(5,154,946)	-	-	-	-	-	-	-	13,984	-	-
Additional share capital issued	83,530,800	20,599,457	-	-	-	-	-	-	-	-	-	-	83,530,800	20,599,457
Transfer from retained earnings to regulatory reserves	-	-	-	-			2,309,990	569,665	(2,309,990)	(569,665)	-	-	-	-
Transfer from retained earnings to other reserves					100,000,000	24,660,912			(100,000,000)	(24,660,912)				
Comprehensive income	-	-	-	-	-	-	-	-			-	-		
Net profit for the period	-	-	-	-	-	-	-	-	141,422,851	34,876,164	-	-	141,422,851	34,876,164
Currency translation difference											-	(1,378,474)		(1,378,474)
	-	-	-	-	-	-	-	-	141,422,851	34,876,164	-	(1,378,474)	141,422,851	33,497,690
Balance as at 31 December 2019	224,377,400	55,444,746	-	-	210,415,116	51,967,426	10,694,759	2,645,036	97,225,136	24,082,317	-	(958,565)	542,712,411	133,180,960

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

LOLC (Cambodia) Plc.

Condensed interim statement of cash flows for the three-month period and the year ended 31 December 2019

	Year ended 31 December 2019		Year ended ended 31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Net profit for the year	141,422,851	34,876,164	57,793,856	14,291,259
Adjustments for:				
Net interest income	(256,007,278)	(63,133,731)	(176,292,774)	(43,593,663)
Depreciation	4,381,555	1,080,531	3,943,169	975,067
Amortisation	394,062	97,179	226,194	55,933
Depreciation on right-of-use assets	5,531,466	1,364,110	4,865,105	1,203,043
Income tax expense	17,266,072	4,257,971	20,747,922	5,130,545
Provision on employee benefits	(1,473,068)	(363,272)	4,323,740	1,069,174
Gain on disposals of property and equipment	(15,072)	(3,716)	(156,553)	(38,711)
Impairment allowance for loans to customers	19,875,484	4,901,476	16,066,592	3,972,946
Impairment losses on deposit with other banks	(328,885)	(81,106)	1,092,433	270,137
	(68,952,813)	(17,004,394)	(67,390,316)	(16,664,270)
Changes in:				
Loans to customers	(1,201,960,027)	(296,414,310)	(644,836,021)	(159,455,000)
Reserve requirement	(70,413,667)	(17,364,653)	(57,536,121)	(14,227,527)
Other assets	2,801,724	690,931	(13,516,438)	(3,342,344)
Deposits from customers	892,582,590	220,119,011	570,485,039	141,069,495
Other liabilities	(4,713,596)	(1,162,415)	13,902,086	3,437,707
Cash used in operations	(450,655,789)	(111,135,830)	(198,891,771)	(49,181,939)
Interest received	461,027,643	113,693,622	315,421,504	77,997,404
Interest paid	(190,425,674)	(46,960,709)	(126,570,115)	(31,298,248)
Income tax paid	(25,714,185)	(6,341,353)	(17,238,341)	(4,262,696)
Net cash used in operating activities	(205,768,005)	(50,744,270)	(27,278,723)	(6,745,479)
Cash flows from investing activities				
Term deposit with original maturity of more than three months	-	-	4,844,400	1,197,923
Capital guaranteed deposit with the NBC	(10,437,740)	(2,574,042)	(4,831,590)	(1,194,755)
Proceeds from disposals of property and equipment	16,135	3,979	165,991	41,046
Acquisition of property and equipment	(5,685,617)	(1,402,125)	(2,997,049)	(741,110)
Acquisition of intangible assets	(988,478)	(243,768)	(1,342,238)	(331,909)
Net cash used in investing activities	(17,095,700)	(4,215,956)	(4,160,486)	(1,028,805)

LOLC (Cambodia) Plc.

Condensed interim statement of cash flows (continued) for the three-month period and the year ended 31 December 2019

	Note	Year ended 31 December 2019 KHR'000	Year ended 31 December 2019 US$ (Note 4)	Year ened 31 December 2018 KHR'000	Year ened 31 December 2018 US$ (Note 4)
Cash flows from financing activities					
Proceeds from borrowings		737,561,531	181,889,403	590,585,241	146,039,872
Repayments of borrowings		(290,494,590)	(71,576,052)	(332,136,713)	(82,130,740)
Additional share capital		41,765,400	10,299,729	-	-
Advance capital contribution		41,765,400	10,299,729	20,846,600	5,154,946
Proceeds from issuance of corporate bonds		80,531,351	19,859,766	-	-
Payment of lease liabilities		(5,624,871)	(1,387,144)	(4,871,384)	(1,204,595)
Net cash generated from financing activities		605,757,921	149,385,431	274,423,744	67,859,483
Net increase in cash and cash equivalents		382,894,216	94,425,205	242,984,536	60,085,199
Cash and cash equivalents at beginning of the year		369,537,050	91,970,396	126,552,514	31,293,896
Currency translation difference		-	(1,749,892)	-	591,301
Cash and cash equivalents at end of the period	23	752,431,266	184,645,709	369,537,050	91,970,396

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

1. Reporting entity

LOLC (Cambodia) Plc. (formerly known as Thaneakea Phum (Cambodia) Ltd.) (“the Company”), a licensed micro-finance institution, incorporated in the Kingdom of Cambodia and registered with the Ministry of Commerce as a public limited liability company under the registration number Co. 1413 E/2002, dated 23 May 2002 and changed to the new registration number 00012829 dated 28 September 2015. After a change in the shareholding structure in September 2014, the Company became a subsidiary of LOLC Micro Investments Ltd., a company incorporated in Sri Lanka. The ultimate parent is LOLC Holdings PLC (previously known as Lanka ORIX Leasing Company PLC), a company incorporated in Sri Lanka and listed on the Colombo Stock Exchange.

On 16 September 2017, LOLC Micro investments Ltd. and DWM Investment Asia Ltd, transferred/sold all their shareholding of 96.97% to LOLC Private Limited. This was subsequently approved by the NBC on 28 November 2017. In addition, the subject shares were approved for the change in ownership by the NBC on 14 March 2018 and endorsed by the MoC on 25 June 2018.

The principal activity of the Company is to provide micro-finance services (deposit-taking and lending) to the rural population, micro-enterprises and small and medium 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 and small and medium enterprises.

On 11 September 2015, the Company obtained a Micro-finance Deposit Taking Institution (“MDI”) license to conduct deposit taking business from the National Bank of Cambodia.

The Company has 79 office locations (78 branches and a head office in Phnom Penh). The Company’s registered office is at Building No. 666B, Street 271, Sangkat Boeung Tumpun 2, Khan Mean Chey, Phnom Penh, and Kingdom of Cambodia.

As at 31 December 2019, the Company had 2,757 employees (31 December 2018: 2,327 employees).

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with Cambodian International Accounting Standard (“CIAS”) 34 *Interim Financial Reporting*. These are the Company’s first condensed interim financial statements for part of the period covered by the first CIFRS annual financial statements and CIFRS 1 *First-time adoption of Cambodian International Financial Reporting Standards* has been applied. The condensed interim financial statements do not include all of the information required for full annual financial statements.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

An explanation of how the transition to CIFRSs has affected the reported condensed interim financial position, financial performance and cash flows of the Company is provided in Note 26. This note includes the reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under Cambodian Accounting Standards ("CASs") and guidelines of the National Bank of Cambodia related to the preparation of the financial statements to those reported for those periods and at the date of transition under CIFRSs.

These condensed interim financial statements were authorised for issue by the Company's Board of Directors on 14 February 2020.

(b) Basis of measurement

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

(c) Functional and presentation currency

The Company transacts its business and maintains its accounting records in three currencies, Khmer Riel ("KHR"), United States Dollars ("US$") and Thai Baht ("THB"). Management have determined the KHR to be the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

Transactions in currencies other than KHR are translated into KHR at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than KHR at the reporting date are translated into KHR at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the profit and loss.

(d) Use of estimates and judgements

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

In preparing these condensed interim financial statements, the significant judgements made by management applying the Company's accounting policies and key source of estimation uncertainty are expected to be the same as those to be applied in the first annual CIFRS financial statements.

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

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

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect in determining the amount recognised in the condensed interim financial statements are described in the following notes:

- Note 3(a)(ii): Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payment of principal and interest (“SPPI”) on the principal amount outstanding.

- Note 3(a)(vii): Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (“ECL”) and selection and approval of models used to measure ECL.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period are included in the following notes:

- Note 3(a)(vii) – Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.

- Note 3(a)(vii) – Impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

(e) Fair value measurements

Measurement of fair values

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a management team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the management.

2. Basis of preparation (continued)

(e) Fair value measurements (continued)

Measurement of fair values (continued)

The management team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management team assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of CIFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Company's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3. Significant accounting policies

The following significant accounting policies adopted in the preparation of these condensed interim financial statements as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Company initially recognises loans to customers, borrowings and subordinated liabilities on the date on which they are originated. All other financial the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

3. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

All other financial assets are classified as measured at FVTPL

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

3. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Non-recourse loans

In some cases, loans made by the Company that are secured by collateral of the borrower limit the Company's claim to cash flows of the underlying collateral (non-recourse loans). The Company applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Company typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;

3. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Non-recourse loans (continued)

- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Company's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Company will benefit from any upside from the underlying assets.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

(iii) Derecognition

Financial assets

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit and loss.

Financial liabilities

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

3. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

(iv) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit and loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit and loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

3. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

(iv) Modifications of financial assets and financial liabilities (continued)

Financial liabilities

The Company derecognised a financial liability when its terms were modified and the cash flows of the modified liability were substantially different. In this case, a new financial liability based on the modified terms was recognised at fair value. The difference between the carrying amount of the financial liability extinguished and consideration paid was recognised in profit or loss.

Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability was not accounted for as derecognition, then any costs and fees incurred were recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(v) Offsetting

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

(vi) Fair value measurement

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

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

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

3. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

(vi) Fair value measurement (continued)

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

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Impairment

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

3. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

3. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

Determining whether credit risk has increased significantly

The Company assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

The Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

Definition of default

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive.

3. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

Inputs, assumptions and techniques used for estimating impairment

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The statistical model has been employed to analyse data collected and generate estimate of remaining lifetime PD of exposure and how these are expected to change as result of passage of time.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

3. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

3. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

Presentation of allowance for ECL in the condensed interim statement of financial position

Loss allowances for ECL are presented in the condensed interim statement of financial position for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

Write-off

Loans to customers are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit and loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash and Company balances, demand deposits and short-term highly liquid investments with original maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

(c) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary share are recognised as a deduction from equity, net of any tax effects. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

3. Significant accounting policies (continued)

(d) General reserves and regulatory reserves

The general reserves are set up for any overall financial risk. The Board of Directors exercises its discretion for the use and maintenance of the general reserves. The transfer from retained earnings to general reserves is subject to the approval of Board of Directors of the Company.

Regulatory reserves are set up for the variance of allowance between loan impairment in accordance with CIFRS and regulatory provision in accordance with National Bank of Cambodia's Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions. In accordance with Article 73, the entity is shall compare the provision calculated in accordance with Article 49 to 71 and the provision calculated in accordance with Article 72, and the record:

(i) In case that the regulatory provision calculated in accordance with Article 72 is lower than provision calculated in accordance with Article 49 to 71, the entity records the provision calculated in accordance with CIFRS; and

(ii) In case that the regulatory provision calculated in accordance with Article 72 is higher than provision calculated in accordance with Article 49 to 71, the entity records the provision calculated in accordance with CIFRS and transfer the difference from retained earnings or accumulated loss account into regulatory reserve in shareholders' equity of the statement of the financial position.

The regulatory reserves are not an item to be included in the calculation of the Institution net worth.

(e) Deposits and placements with banks

Deposits and placements with banks are stated at amortised cost less impairment for any uncollectable amounts.

(f) Statutory deposits

Statutory deposits included in balances with the NBC are maintained in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by the defined percentage of the minimum share capital and the customers' deposits as required by NBC. The statutory deposits are stated at cost.

(g) Loans to customers

Loans to customers' captions in the condensed interim statement of financial position include loans to customers measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

3. Significant accounting policies (continued)

(h) Other assets

Other assets are carried at amortised cost less impairment if any.

(i) Property and equipment

(i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation of property and equipment is charged to the profit and loss on a straight line-basis over the estimated useful lives of the individual assets at the following rates:

Office equipment, furniture and fixtures	3 – 5 years
Motor vehicles	4 – 5 years
Computer equipment	3 years
Leasehold improvements - Shorter of its useful life and contractual terms	5 – 10 years

Work in progress is not depreciated until they are ready for use as intended by the management.

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

(iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the profit and loss on the date of retirement or disposal.

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

(j) 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.

3. Significant accounting policies (continued)

(j) Intangible assets (continued)

Intangible assets are amortised over their estimated useful lives from 5 to 20 years using the straight-line method.

Costs associated with the development or maintenance of computer software are recognised as expenses when incurred.

(k) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where all the decisions about how and for what purpose the asset is used are predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose It will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2018.

At inception or on reassessment of a contract that contains a lease and non-lease component, the Company allocates the consideration in the contract to each lease component and aggregate of non-lease components on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3. Significant accounting policies (continued)

(k) Leases (continued)

Leases in which the Company is a lessee

An arrangement conveyed the right to use the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The estimated useful lives for the current period are as follows:

- Building and office branches 3 – 10 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, to the lessee's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

3. Significant accounting policies (continued)

(k) Leases (continued)

Leases in which the Company is a lessee (continued)

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the lease term, a change in the assessment of the option to purchase the underlying asset, a change in future lease payments arising from a change in an index or rate, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Borrowings

Borrowings are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at amortised cost using effective interest method.

3. Significant accounting policies (continued)

(m) Employee benefits

(i) Short-term employee benefits

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

(ii) Other long-term employee benefits

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

(n) Provisions

Provisions are recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(o) Interest

Effective interest rate

Interest income and expense are recognised in profit and loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company/the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

3. Significant accounting policies (continued)

(o) Interest (continued)

Effective interest rate (continued)

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

Amortised cost and gross carrying amount

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The ‘gross carrying amount of a financial asset’ is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

3. Significant accounting policies (continued)

(o) Interest (continued)

Presentation

Interest income calculated using the effective interest method presented in the condensed interim statement of profit and loss and OCI includes interest on financial assets and financial liabilities measured at amortised cost.

Interest expense presented in the condensed interim statement of profit and loss and OCI includes financial liabilities measured at amortised cost.

(p) Fee and commission

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

Other fee and commission income – including account servicing fees is recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Company's financial statements may be partially in the scope of CIFRS 9 and partially in the scope of CIFRS 15. If this is the case, then the Company first applies CIFRS 9 to separate and measure the part of the contract that is in the scope of CIFRS 9 and then applies CIFRS 15 to the residual.

(q) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

3. Significant accounting policies (continued)

(q) Impairment of non-financial assets (continued)

Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(r) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit and loss except items recognised directly in equity or in other comprehensive income.

Current tax

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset are recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. 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; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Differed tax assets and liabilities are offset only if certain criteria are met.

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Notes to the condensed interim financial statements (continued) for the three-month period and the year ended 31 December 2019

4. Translation of Khmer Riel into United States Dollars

The condensed interim financial statements are expressed in Khmer Riel. The translations of Khmer Riel amounts into United States Dollars are included solely for meeting the presentation requirements pursuant to Law on Accounting and Auditing.

Assets and liabilities are translated at the closing rate as at the reporting date; and share capital and reserves account are translated at the historical rate. The statements of comprehensive income and cash flows are translated into KHR using the average rate for the period. Exchange differences arising from the translation are recognised as "Currency Translation Difference" in the other comprehensive income.

The Company uses the following exchange rates:

			Closing rate	Average rate
31 December 2019	US$1	=	KHR 4,075	KHR 4,055
31 December 2018	US$1	=	KHR4,018	KHR4,044
1 January 2018	US$1	=	KHR4,037	N/A

These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

5. Seasonality

The principal business of the Company are mainly to provide micro-finance businesses and the provision of related financial services. There is no significant seasonality factor associated with these businesses.

6. Balances with the National Bank of Cambodia

		31 December 2019		31 December 2018	
		KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Current accounts		570,920,008	140,103,070	211,274,699	52,582,055
Capital guarantee	(a)	22,437,740	5,506,194	12,000,000	2,986,561
Reserve requirement	(b)	164,661,713	40,407,782	94,248,047	23,456,458
		758,019,461	186,017,046	317,522,746	79,025,074

(a) Capital guarantee

The statutory deposits are maintained with the NBC in compliance with Prakas No. B7-07-163 on the Licensing of Micro-Finance Deposit taking Institutions, the amounts of which are determined at 10% of the Company's registered share capital.

The statutory deposit on registered share capital is refundable when the Company voluntarily liquidates and has no deposit liabilities. The statutory deposit on registered capital placed with NBC earns interest at the rate of 3% per annum (2018: 3% per annum).

(b) 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 Licensing of Micro-finance Deposit Taking Institutions.

The reserve requirement on customers' deposits fluctuates depending on the level of the customers' deposits. The reserve requirement relating to customers' deposits does not earn interest.

7. Balances with other banks – net

	31 December 2019		31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Current accounts	36,473,452	8,950,540	41,057,816	10,218,471
Saving accounts	41,598,705	10,208,271	68,185,482	16,970,006
	78,072,157	19,158,811	109,243,298	27,188,477
Less: Allowance for impairment losses	(780,721)	(191,587)	(1,092,433)	(271,885)
	77,291,436	18,967,224	108,150,865	26,916,592

Balances with other banks are analysed as follows:

	31 December 2019		31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
(a) By maturity:				
Not later than 1 year	77,291,436	18,967,224	108,150,865	26,916,592

(b) By interest rate (per annum):

	31 December 2019	31 December 2018
Current accounts	0% – 1.75%	0% – 1.75%
Saving accounts	0% – 2.00%	0% – 2.00%

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Notes to the condensed interim financial statements (continued) for the three-month period and the year ended 31 December 2019

8. Loans to customers – net

	As at 31 December 2019		As at 31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Group loans:				
Fixed term	18,118,906	4,446,357	36,427,565	9,066,094
End of cycle	339,375,537	83,282,340	151,811,520	37,782,857
Individual loans:				
Fixed term	2,506,993,213	615,213,058	1,540,976,788	383,518,364
End of cycle	287,546,919	70,563,661	211,849,035	52,724,996
Staff loans	20,587,185	5,052,071	17,691,324	4,403,018
Gross loans	3,172,621,760	778,557,487	1,958,756,232	487,495,329
Interest receivables	29,411,283	7,217,493	18,259,714	4,544,479
Unearned processing fees	(55,259,912)	(13,560,715)	(32,925,499)	(8,194,500)
	3,146,773,131	772,214,265	1,944,090,447	483,845,308
Allowance for impairment losses	(41,985,966)	(10,303,304)	(30,080,465)	(7,486,427)
Loans to customers, net	3,104,787,165	761,910,961	1,914,009,982	476,358,881

8. Loans to customers (continued)

The gross movements of the allowance for the impairments are as follows:

	Three-month period ended 31 December 2019		Three-month period ended 31 December 2018 (Not reviewed)		Year ended 31 December 2019		Year ended 31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
At beginning of the period/year	45,082,031	11,220,018	34,802,236	8,620,816	30,080,465	7,486,427	22,714,400	5,653,161
Allowance for the period/period	5,639,508	1,390,754	4,222,979	1,044,258	19,875,484	4,901,476	16,066,592	3,984,770
Written off	(8,639,417)	(2,130,559)	(8,538,802)	(2,111,474)	(8,639,417)	(2,120,102)	(8,538,802)	(2,125,137)
Others	(96,156)	(23,713)	(405,948)	(100,383)	669,434	165,089	(161,725)	(39,991)
Currency translation difference	-	(153,196)	-	33,210	-	(129,586)	-	13,624
At end of the period/year	41,985,966	10,303,304	30,080,465	7,486,427	41,985,966	10,303,304	30,080,465	7,486,427

8. Loans to customers (continued)

Loans to customers are analysed as follows:

		31 December 2019		31 December 2018	
		KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
(a)	**By maturity:**				
	Not later than 1 year	1,499,401,443	367,951,274	756,982,192	188,397,758
	Later than 1 year and no later than 3 years	1,215,372,345	298,250,882	884,904,882	220,235,162
	Later than 3 years and no later than 5 years	440,092,603	107,998,185	298,261,988	74,231,455
	Later than 5 years	17,755,369	4,357,146	18,607,170	4,630,954
		3,172,621,760	778,557,487	1,958,756,232	487,495,329
(b)	**By industry:**				
	Trade and commerce	496,050,691	121,730,231	324,788,234	80,833,309
	Services	422,181,908	103,602,922	278,768,720	69,379,970
	Transportation	36,926,902	9,061,816	8,615,126	2,144,133
	Agriculture	1,086,257,042	266,566,145	710,998,374	176,953,304
	Construction	300,300,122	73,693,282	60,072,943	14,950,956
	Other categories	830,905,095	203,903,091	575,512,835	143,233,657
		3,172,621,760	778,557,487	1,958,756,232	487,495,329
(c)	**By currency:**				
	KH Riels	680,408,725	166,971,466	376,639,934	93,738,162
	US Dollars	2,296,578,995	563,577,668	1,468,871,736	365,572,856
	TH Baht	195,634,040	48,008,353	113,244,562	28,184,311
		3,172,621,760	778,557,487	1,958,756,232	487,495,329
(d)	**By residency status:**				
	Residents	3,172,621,760	778,557,487	1,958,756,232	487,495,329
(e)	**By relationship:**				
	External customers	3,152,034,575	773,505,417	1,941,064,908	483,092,311
	Staff loans	20,587,185	5,052,070	17,691,324	4,403,018
		3,172,621,760	778,557,487	1,958,756,232	487,495,329

8. Loans to customers (continued)

Loans to customers are analysed as follows: (continued)

(f) By interest rate (per month):

	31 December 2019	31 December 2018
Staff loans	1.00%	1.00%
External loans	1.20% – 1.50%	1.20% – 1.50%

9. Property and equipment

During the year ended 31 December 2019, the Company acquired the property and equipment amounting to KHR5,685,618 thousand and depreciation expense amounting to KHR4,381,555 thousand was charged to profit and loss. Additionally, the Company disposed fully-depreciated property and equipment with original cost of KHR309,565 thousand.

10. Intangible assets

During the year ended 31 December 2019, the Company acquired the intangible assets amounting to KHR988,478 thousand and amortisation expense amounting to KHR394,062 thousand was charged to profit and loss.

11. Right-of-use assets

	31 December 2019		31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Right-of-use assets	19,667,509	4,826,383	18,384,941	4,575,645

The Company leases office building for its operations. Information about leases for which the Company is a lessee is presented below.

	Three-month period ended 31 December 2019		Three-month period ended 31 December 2018 (Not reviewed)		Year ended 31 December 2019		Year ended 31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
At beginning of the period/year	18,842,530	4,689,530	18,762,060	4,647,525	18,384,941	4,575,645	18,473,235	4,575,981
Addition	2,055,885	507,000	1,033,138	255,474	6,452,378	1,591,215	4,895,228	1,210,492
Depreciation	(1,474,337)	(363,585)	(1,291,840)	(319,446)	(5,531,466)	(1,364,110)	(4,865,105)	(1,203,043)
Foreign exchange gain	243,431	59,738	(118,417)	(29,472)	361,656	89,188	(118,417)	(29,282)
Currency translation difference	-	(66,300)	-	21,564	-	(65,555)		21,497
At end of the period/year	19,667,509	4,826,383	18,384,941	4,575,645	19,667,509	4,826,383	18,384,941	4,575,645

12. Income tax

(a) Applicable tax rate

In accordance with Cambodian Law on Taxation, the Company has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits. Having been successfully listed on CSX, the Company is entitled to a reduction on the tax on profit 50% respectively for the period of 3 years in accordance with the Sub-decree No. 01 of the Royal Government of Cambodia dated on 4 January 2019. On 10 January 2020, the Company submitted a letter to the General Department of Taxation requesting for the written approval on the 50% reduction on the tax on profit of Company starting from 2019. As of the date of this report, approval from the GDT is still pending.

(b) Current income tax liability

	Three-month period ended 31 December 2019		Three-month period ended 31 December 2018 (Not reviewed)		Year ended 31 December 2019		Year ended 31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
At beginning of the period/year	24,869,201	6,071,583	16,618,741	4,071,225	20,523,933	5,107,997	13,836,836	3,427,505
Current income tax expense	8,206,141	2,023,709	4,885,436	1,208,070	18,811,439	4,639,073	23,925,436	5,916,280
Income tax paid	(19,454,155)	(4,797,572)	(980,244)	(242,394)	(25,714,185)	(6,341,353)	(17,238,339)	(4,262,695)
Currency translation difference	-	44,903	-	71,096	-	(63,094)	-	26,907
At end of the period/year	13,621,187	3,342,623	20,523,933	5,107,997	13,621,187	3,342,623	20,523,933	5,107,997

12. Income tax (continued)

(c) Deferred tax assets - net

The gross movements in the deferred tax account during the period/year are as follows:

	Three-month period ended 31 December 2019		Three-month period ended 31 December 2018 (Not reviewed)		Year ended 31 December 2019		Year ended 31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
At beginning of the period/year	10,398,370	2,538,665	6,998,073	1,714,374	7,581,894	1,886,982	4,404,380	1,091,003
Credited to profit and loss	(1,271,109)	(313,467)	583,821	144,367	1,545,367	381,102	3,177,514	785,735
Currency translation difference	-	14,621	-	28,241	-	(28,265)	-	10,244
At end of the period/year	9,127,261	2,239,819	7,581,894	1,886,982	9,127,261	2,239,819	7,581,894	1,886,982

Deferred tax assets/(liabilities) are attributable to the following:

	31 December 2019		31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Provision	8,594,435	2,109,064	6,771,656	1,685,330
Depreciation	182,426	44,767	207,666	51,684
Deferred income	350,400	85,988	602,572	149,968
	9,127,261	2,239,819	7,581,894	1,886,982

12. Income tax (continued)

(d) Income tax expense

	Three-month period ended 31 December 2019		Three-month period ended 31 December 2018 (Not reviewed)		Year ended 31 December 2019		Year ended 31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Current income tax	8,206,141	2,023,709	4,885,436	1,208,070	18,811,439	4,639,073	23,925,436	5,916,280
Deferred tax	1,271,109	313,467	(583,821)	(144,367)	(1,545,367)	(381,102)	(3,177,514)	(785,735)
	9,477,250	2,337,176	4,301,615	1,063,703	17,266,072	4,257,971	20,747,922	5,130,545

13. Deposits from customers

	31 December 2019		31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Savings deposits	166,048,516	40,748,102	99,881,780	24,858,581
Term deposits	1,661,618,338	407,759,101	835,202,484	207,865,228
	1,827,666,854	448,507,203	935,084,264	232,723,809
Interest payable	37,303,638	9,154,267	16,821,662	4,186,576
	1,864,970,492	457,661,470	951,905,926	236,910,385

Deposits from customers are analysed as follows:

	As at 31 December 2019		As at 31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
(a) By maturity:				
Within 1 month	256,409,609	62,922,603	119,017,401	29,621,056
2 to 3 months	264,148,701	64,821,767	126,982,209	31,603,337
4 to 12 months	916,144,419	224,820,716	520,990,908	129,664,238
Over 12 months	390,964,125	95,942,117	168,093,746	41,835,178
	1,827,666,854	448,507,203	935,084,264	232,723,809

(b) By interest rate (per annum)

	31 December 2019	31 December 2018
Savings deposits	1% – 5.00%	1% – 5.00%
Fixed deposit	3.00% – 8.50%	2.00% – 12.00%

14. Provision for employee benefits

	31 December 2019		31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Seniority indemnity	2,850,672	699,552	4,323,740	1,076,093

This represents provision for seniority indemnity payments required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018 and subsequently amended by the Instruction No. 042/19 dated 22 March 2019.

15. Borrowings

The Company has entered into borrowing agreements with various lenders. The repayments of principal and interest are made either on a monthly, quarterly, semi-annual or annual basis based on the repayment schedule for each of the borrowing agreements.

	31 December 2019		31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Borrowings (*)	1,530,104,043	375,485,655	1,085,859,000	270,248,631
Overdrafts	1,746,299	428,539	-	-
Interest payable	15,196,835	3,729,285	11,044,200	2,748,681
	1,547,047,177	379,643,479	1,096,903,200	272,997,312

(*) It included the subordinated debts of KHR118.990 billion (equivalent to US$29.20 million) (31 December 2018: KHR83.57 billion, equivalent to US$20.8 million) approved by the NBC.

Notes to the condensed interim financial statements (continued)
for the three-month period and the year ended 31 December 2019

15. Borrowings (continued)

The gross movement of the borrowings during the period were as follows:

	Three-month period ended 31 December 2019		Three-month period ended 31 December 2018 (Not reviewed)		Year ended 31 December 2019		Year ended 31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
At beginning of the period/year	1,329,992,105	331,008,488	1,082,817,049	268,223,198	1,096,903,200	272,997,312	833,017,792	206,345,750
Additional borrowings	293,239,805	72,315,612	96,417,622	23,842,142	723,441,732	178,407,332	595,465,956	147,246,774
Accrued interest payables	15,196,835	3,782,189	11,865,901	2,939,287	15,196,835	3,729,285	11,865,901	2,953,186
Repayment during the period/year	(91,381,568)	(22,535,528)	(94,197,372)	(23,293,119)	(288,494,590)	(71,145,398)	(343,446,449)	(84,927,411)
Currency translation difference	-	(4,927,282)	-	1,285,804	-	(4,345,052)	-	1,379,013
At end of the period/year	1,547,047,177	379,643,479	1,096,903,200	272,997,312	1,547,047,177	379,643,479	1,096,903,200	272,997,312

16. Debt securities issued

On 18 May 2018, the shareholders of the Company resolve to authorise the Company to issue corporate bond for additional source of fund to the existing local and international lenders. The Company obtained approval on public bond issuance from the NBC and the Securities and Exchange Commission of Cambodia ("SECC) on 22 February 2019 and 22 April 2019, respectively. The Cambodia Securities Exchange ("CSX") approve for the corporate bond listing on 7 May 2019.

The Company issued bond payables on 26 April 2019 with value in amount of KHR80,000,000 thousands with maturity date for three-year period. These bonds are divided into two types, as plain bond and foreign exchange-indexed bond with coupon rate of 9% and 8% per annum, respectively.

17. Lease liabilities

	31 December 2019		31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Present value of lease liabilities				
Current	4,321,097	1,060,392	3,593,378	894,320
Non-current	14,280,934	3,504,524	13,297,816	3,309,561
	18,602,031	4,564,916	16,891,194	4,203,881
Less than one year	6,253,079	1,534,498	5,905,773	1,469,829
One to five years	14,008,297	3,437,619	14,586,239	3,630,224
More than five years	7,232,198	1,774,773	3,927,173	977,395
Total undiscounted lease liabilities	27,493,574	6,746,890	24,419,185	6,077,448

Amounts recognised in profit and loss during the period are as follows:

	Year ended 31 December 2019		Year ended 31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Interest on lease liabilities	1,380,818	340,522	1,297,451	320,833

17. Lease liabilities (continued)

	For the three-month period ended 31 December 2019		For the three-month period ended 31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000 (Not reviewed)	US$ (Note 4) (Not reviewed)
Interest on lease liabilities	337,434	83,255	331,314	81,927

Amounts recognised in the condensed statement of cash flows during the period as follows:

	Year ended 31 December 2019		Year ended 31 December 2018	
	KHR'000	US$ Note 4	KHR'000	US$ Note 4
Total cash outflow for leases	(5,624,871)	(1,387,144)	(4,871,384)	(1,204,595)

18. Share capital

There was no change in shareholder and shareholding structure during the period. The share capital structure and the details of authorised and registered shareholding are as follows:

	As at 31 December 2019			As at 31 December 2018		
	% of shareholding	Number of shares	Amount KHR'000	% of shareholding	Number of shares	Amount KHR'000
LOLC Private Limited	96.97%	2,175,792	217,579,200	96.97%	1,163,642	116,364,200
TPC-ESOP Co., Ltd.	3.03%	67,982	6,798,200	3.03%	36,358	3,635,800
	100.00%	2,243,774	224,377,400	100.00%	1,200,000	120,000,000
US$ equivalents – Note 4			55,444,746			29,704,327

19. General reserves and regulatory reserves

(a) General reserves

The Company transferred its retained earnings amounting to KHR 103,246,706,000 to reserves which was approved by the NBC on 5 September 2018.

(b) Regulatory reserves

This represents the reserves transferred from retained earnings by the Company to comply with the Article 73 of NBC's Prakas No. B7-017-344 dated 1 December 2017.

During the year ended 31 December 2019, the Company transferred to regulatory reserves from the retained earnings amounting to KHR2,309,990 thousand.

20. Interest income

Interest income was made from the following sources:

	Three-month period ended 31 December 2019		Three-month period ended 31 December 2018 (Not reviewed)		Year ended 31 December 2019		Year ended 31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Interest income								
Loans to customers	149,262,472	36,809,488	82,810,547	20,477,386	469,993,964	115,904,800	313,698,746	77,571,401
Placements with banks	333,224	82,176	376,563	93,116	1,499,114	369,695	1,156,510	285,982
	149,595,696	36,891,664	83,187,110	20,570,502	471,493,078	116,274,495	314,855,256	77,857,383
Interest expense								
Customers' deposits	30,289,332	7,469,626	15,808,699	3,909,174	97,665,614	24,085,232	43,312,826	10,710,392
Local borrowings	35,016,585	8,635,409	23,855,257	5,898,926	111,850,781	27,583,423	93,952,205	23,232,494
Debt securities issued	1,675,835	413,276	-	-	4,588,587	1,131,587	-	-
Lease Liabilities	359,233	88,590	336,139	83,120	1,380,818	340,522	1,297,451	320,834
	67,340,985	16,606,901	40,000,095	9,891,220	215,485,800	53,140,764	138,562,482	34,263,720
Net interest income	82,254,711	20,284,763	43,187,015	10,679,282	256,007,278	63,133,731	176,292,774	43,593,663

21. Personnel expenses

	Three-month period ended 31 December 2019		Three-month period ended 31 December 2018 (Not reviewed)		Year ended 31 December 2019		Year ended 31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Salaries and wages	25,888,189	6,384,264	20,453,814	5,057,818	90,682,833	22,363,214	68,251,668	16,877,267
Other short-term benefits	2,642,703	651,714	1,979,222	489,421	9,377,886	2,312,672	7,783,721	1,924,758
	28,530,892	7,035,978	22,433,036	5,547,239	100,060,719	24,675,886	76,035,389	18,802,025

22. General and administrative expenses

	Three-month period ended 31 December 2019		Three-month period ended 31 December 2018 (Not reviewed)		Year ended 31 December 2019		Year ended 31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Advertising	606,072	149,463	823,354	203,598	1,724,821	425,357	1,394,803	344,907
Professional fees	1,296,028	319,612	415,617	102,773	3,945,372	972,965	1,968,668	486,812
Repairs and maintenance	108,346	26,719	84,170	20,813	433,678	106,949	306,977	75,909
Vehicle expenses	919,513	226,760	930,944	230,203	3,642,299	898,224	3,704,918	916,152
Office supplies and stationery	565,294	139,407	503,158	124,420	2,124,046	523,809	1,806,897	446,809
Communication	435,582	107,418	346,468	85,674	1,566,216	386,243	1,293,275	319,801
Utilities	412,241	101,662	349,496	86,423	1,590,393	392,205	1,354,888	335,037
Rental	911,625	224,815	748,809	185,165	3,384,545	834,660	2,335,009	577,401
Security guard	307,150	75,746	292,691	72,376	1,171,990	289,023	1,079,717	266,992
Insurance	1,323,241	326,323	692,314	171,195	4,407,865	1,087,020	1,720,969	425,561
BOD expenses	191,015	47,106	191,477	47,348	697,375	171,979	549,552	135,893
Charitable contributions	69,912	17,241	13,485	3,334	186,009	45,872	80,249	19,844
Others	3,275,768	807,836	6,305,868	1,559,322	11,292,133	2,784,743	15,848,921	3,919,120
	10,421,787	2,570,108	11,697,851	2,892,644	36,166,742	8,919,049	33,444,843	8,270,238

23. Cash and cash equivalents

	31 December 2019		31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Bank overdrafts	(1,746,299)	(428,540)	-	-
Cash on hand	105,185,581	25,812,413	49,019,393	12,199,948
Balances with NBC	570,919,827	140,103,025	211,274,359	52,581,971
Balances with other banks	78,072,157	19,158,811	109,243,298	27,188,477
	752,431,266	184,645,709	369,537,050	91,970,396

24. Related party transactions and balances

	Three-month period ended 31 December 2019		Three-month period ended 31 December 2018 (Not reviewed)		Year ended 31 December 2019		Year ended 31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
(a) Board of Directors' fee								
Board fees	191,015	47,106	191,477	47,349	697,375	171,979	549,552	135,893
(b) Key management personnel								
Salaries and short-term benefit expense	1,339,514	330,336	478,791	118,395	3,473,103	856,499	2,287,926	569,419
(c) Interest income								
Shareholders	3,582	883	4,264	1,054	15,641	3,857	14,846	3,671
Key managements	3,748	924	-	-	14,706	3,627	-	-
	7,330	1,807	4,264	1,054	30,347	7,484	14,846	3,671

24. Related party transactions and balances (continued)

(d) Loans to:

	31 December 2019 KHR'000	31 December 2019 US$ (Note 4)	31 December 2018 KHR'000	31 December 2018 US$ (Note 4)
Loan to shareholders				
Loan outstanding	142,654	35,007	136,647	34,009
Accrued interest receivable	174	43	182	45
	142,828	35,050	136,829	34,054
Loan to key management				
Loan outstanding	113,237	27,788	-	-
Accrued interest receivable	151	37	-	-
	113,388	27,825	-	-

(e) Deposits from related parties

	31 December 2019 KHR'000	31 December 2019 US$ (Note 4)	31 December 2018 KHR'000	31 December 2018 US$ (Note 4)
Shareholders:				
Deposit outstanding	153,053	37,559	294,793	73,368
Accrued interest payable	-	-	8,678	2,160
	153,053	37,559	303,471	75,528
Board of Directors:				
Deposit outstanding	687,448	168,699	589,058	146,605
Accrued interest payable	15,385	3,775	15,670	3,900
	702,833	172,474	604,728	150,505
Key management:				
Deposit outstanding	2,045,000	501,840	2,513,161	625,476
Accrued interest payable	11,040	2,709	29,448	7,329
	2,056,040	504,549	2,542,609	632,805

Notes to the condensed interim financial statements (continued) for the three-month period and the year ended 31 December 2019

24. Related party transactions and balances (continued)

(e) Deposits from related parties (continued)

	31 December 2019		31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Interest expenses in respect of deposit from related parties:				
Shareholders	3,099	764	31,885	7,885
Board of Directors	16,756	4,132	33,027	8,167
Key management personnel	87,384	21,550	152,544	37,721
	107,239	26,446	217,456	53,773

(f) Transaction with Browns Machinery (Cambodia) Co., Ltd.

	As at 31 December 2019		As at 31 December 2018	
	KHR'000	US$ (Note 4)	KHR'000	US$ (Note 4)
Deposit outstanding	1,599,874	392,607	825,656	205,489

25. Taxation contingency

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

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

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Notes to the condensed interim financial statements (continued) for the three-month period and the year ended 31 December 2019

26. Explanation of transition to CIFRS

As stated in Note 2(a), these are the Company's first condensed interim financial statements prepared in accordance with CIFRSs.

The accounting policies set out in Note 3 have been applied in preparing the condensed interim financial statements for the three-month period and the year ended 31 December 2019, the comparative information presented in these condensed interim financial statements for the three-month period and the year ended 31 December 2018 and in the preparation of an opening CIFRS statement of financial position at 1 January 2018 ("the Company's date of transition").

In preparing its opening CIFRSs statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of financial statements (collectively referred as "GAAP"). An explanation of how the transition from current GAAP to CIFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

	1 January 2018			31 December 2018		
		Effect of transition			Effect of transition	
	GAAP	to CIFRS	CIFRS	GAAP	to CIFRS	CIFRS
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
ASSETS						
Cash on hand	18,201,556	-	18,201,556	49,019,393	-	49,019,393
Balances with National Bank of Cambodia	62,103,582	464	62,104,046	317,522,406	340	317,522,746
Balances with other banks – net	95,936,028	332,240	96,268,268	108,150,865	-	108,150,865
Loans to customers – net	1,283,839,747	(4,025,392)	1,279,814,355	1,928,675,767	(14,665,785)	1,914,009,982
Investment	60,555	-	60,555	60,270	-	60,270
Other assets	23,979,173	(19,361,717)	4,617,456	44,105,879	(25,971,700)	18,134,179
Property and equipment	7,500,097	-	7,500,097	6,544,540	-	6,544,540
Intangible assets	3,389,765	-	3,389,765	4,505,809	-	4,505,809
Right-of-use assets	-	18,473,235	18,473,235	-	18,384,941	18,384,941
Deferred tax assets	4,404,378	-	4,404,378	7,581,894	-	7,581,894
Total assets	**1,499,414,881**	**(4,581,170)**	**1,494,833,711**	**2,466,166,823**	**(22,252,204)**	**2,443,914,619**

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Notes to the condensed interim financial statements (continued) for the three-month period and the year ended 31 December 2019

26. Explanation of transition to CIFRS (continued)

Reconciliation of equity (continued)

	1 January 2018			31 December 2018		
	GAAP KHR'000	Effect of transition to CIFRS KHR'000	CIFRS KHR'000	GAAP KHR'000	Effect of transition to CIFRS KHR'000	CIFRS KHR'000
LIABILITIES						
Deposit from banks and other financial institutions	42,003,796	(42,003,796)	-	76,466,224	(76,466,224)	-
Deposits from customers	322,595,429	48,141,168	370,736,597	858,618,040	93,287,886	951,905,926
Provision for employee benefits	-	-	-	4,323,740	-	4,323,740
Other liabilities	38,400,976	(16,695,196)	21,705,780	64,295,429	(28,687,563)	35,607,866
Current income tax payables	13,836,836	-	13,836,836	20,523,933	-	20,523,933
Borrowings	830,971,898	2,045,894	833,017,792	1,088,456,511	8,446,689	1,096,903,200
Debt securities issued	-	-	-	-	-	-
Lease liabilities	-	16,418,402	16,418,402	-	16,891,194	16,891,194
Total liabilities	**1,247,808,935**	**7,906,472**	**1,255,715,407**	**2,112,683,877**	**13,471,982**	**2,126,155,859**
EQUITY						
Share capital	71,684,100	-	71,684,100	120,000,000	-	120,000,000
Advance capital contribution	-	-	-	20,846,600	-	20,846,600
General reserves	7,168,410	-	7,168,410	110,415,116	-	110,415,116
Regulatory reserves	-	4,632,244	4,632,244	-	8,384,769	8,384,769
Retained earnings	172,753,436	(17,119,886)	155,633,550	102,221,230	(44,108,955)	58,112,275
Total equity	**251,605,946**	**(12,487,642)**	**239,118,304**	**353,482,946**	**(35,724,186)**	**317,758,760**
Total liabilities and equity	**1,499,414,881**	**(4,581,170)**	**1,494,833,711**	**2,466,166,823**	**(22,252,204)**	**2,443,914,619**

26. Explanation of transition to CIFRS (continued)

Reconciliation of comprehensive income for the year ended 31 December 2018:

	GAAP KHR'000	Effect of transition to CIFRS KHR'000	CIFRS KHR'000
Interest income	292,192,297	22,662,959	314,855,256
Interest expense	(126,351,821)	(12,210,661)	(138,562,482)
Net interest income	165,840,476	10,452,298	176,292,774
Allowances for bad and doubtful loans to customers	(16,066,592)	-	(16,066,592)
Regulatory provision	(1,092,433)	-	(1,092,433)
	(17,159,025)	-	(17,159,025)
Operating profits	148,681,451	10,452,298	159,133,749
Operating income	78,684,899	(38,054,137)	40,630,762
Commission expenses	(2,398,475)	-	(2,398,475)
Personnel expenses	(76,035,389)	-	(76,035,389)
Depreciation and amortisation	(4,169,363)	(4,865,105)	(9,034,468)
General and administrative expenses	(42,675,243)	9,230,400	(33,444,843)
Net foreign exchange loss	(309,558)	-	(309,558)
Profit before income tax	101,778,322	(23,236,544)	78,541,778
Income tax expense	(20,747,922)	-	(20,747,922)
Net profit for the year	81,030,400	(23,236,544)	57,793,856

27. Fair values of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Company's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the condensed interim statement of financial position are a reasonable estimation of their fair values.