

LOLC (CAMBODIA) PLC.

**Condensed Interim Financial Statements
for the three-month and twelve-month
periods ended 31 December 2023
and
Independent Auditors' Report on Review of
Condensed Interim Financial Statements**

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 Asia 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 (Term ended on 31 December 2023) Mr. Chitral Nalin Wijesinha, Member (Appointed on 15 January 2024) 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. Damburæ Liyanage Duleep Roshan, Chief Information Officer Mrs. Svoeuy Sodyna, Chief Risk Officer Mr. Perera Hewa Ambepitiyage Chanaka Romesh, 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 Ms. Try Sola, Head of Treasury Department Mr. Bun Bella, Head of Information Technology Department Mr. Phai Phalla, Head of Marketing Mr. Teng Pheap, Head of Internal Audit Department Ms. Kith Marady, Head of Legal and Compliance Department Mr. Nuth Theng, Head of Business Department Mr. Muth Pisey, Head of Credit Department Mr. Thong Rithy, Head of iPay Sale and Digital Business Department Mr. Va Sok Oun, Head of Administration and Procurement Department Mr. Tun Korng, Deputy Head of Credit Department
Auditors	KPMG Cambodia Ltd

LOLC (Cambodia) Plc.

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Statement by the Board of Directors

The Board of Directors has pleasure in submitting the condensed interim financial statements of LOLC (Cambodia) Plc. (“the Company”) for the three-month and twelve-month periods ended 31 December 2023.

Board of Directors

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

- | | |
|--|---|
| 1. Mr. Brindley Chrishantha Gajanayake de Zylva | Chairman |
| 2. Mr. Indrajith Wijesiriwardana | Member |
| 3. Mr. Hans Michael Theodor Moormann | Member (Term ended on 31 December 2023) |
| 4. Mr Chitral Nalin Wijesinha, Member | Member (Appointed on 15 January 2024) |
| 5. Mr. Dulip Rasika Samaraweera | Member |
| 6. Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias | Member |

In the opinion of the Board of Directors, the condensed interim financial statements of the Company together with the notes thereto, are prepared in all material respects, the financial position of the Company as at 31 December 2023 and its financial performance for the three-month and twelve-month periods then ended, statements of changes in equity and cash flows of the Company for the twelve-month period then ended, in accordance with Cambodian International Accounting Standard 34, “Interim Financial Reporting”.

On behalf of the Board of Directors



Mr. Brindley Chrishantha Gajanayake de Zylva
Chairman

Phnom Penh, Kingdom of Cambodia

Date: 12 February 2024



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THE INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of LOLC (Cambodia) Plc.

Introduction

We have reviewed the accompanying 31 December 2023 condensed interim financial statements of LOLC (Cambodia) Plc. ("the Company"), as set out on pages 4 to 42 (hereafter referred to as "the condensed interim financial statements") which comprise the condensed interim statement of financial position as at 31 December 2023 and the condensed interim statements of profit or loss and other comprehensive income for the three-month and twelve-month periods then ended, changes in equity and cash flows for the twelve-month period then ended and other explanatory notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with the Cambodian International Accounting Standard 34, "*Interim Financial Reporting*". Our responsibility is to express a conclusion on these condensed interim financial statements 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 statements Performed by the Independent Auditor of the Entity*". A review of interim financial statements 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.

Other Matter

The condensed interim financial statements of the Company as at 31 December 2022 and for the three-month and twelve-month periods then ended were reviewed by another firm of auditors who expressed an unmodified conclusion on 13 February 2023. In addition, the financial statements of the Company for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those financial statements on 20 March 2023.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the Cambodian International Accounting Standard 34, "Interim Financial Reporting".

For KPMG Cambodia Ltd



Guek Teav
Partner

Phnom Penh, Kingdom of Cambodia

12 February 2024

LOLC (Cambodia) Plc.

Condensed interim statement of financial position As at 31 December 2023

	Notes	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
ASSETS					
Cash on hand		124,372,008	106,809,850	30,446,024	25,943,612
Deposits and placements with the National Bank of Cambodia		134,192,224	194,853,393	32,849,994	47,328,976
Deposits and placements with banks		672,287,486	371,988,949	164,574,660	90,354,372
Financial assets at fair value through other comprehensive income		61,275	61,755	15,000	15,000
Loans and advances at amortised cost	5	5,003,139,376	5,006,724,473	1,224,758,721	1,216,109,904
Statutory deposits with the National Bank of Cambodia	6	371,611,761	290,813,000	90,969,831	70,637,114
Property and equipment	7	12,145,516	6,845,124	2,973,198	1,662,649
Right-of-use assets	8	28,661,010	28,364,039	7,016,159	6,889,492
Intangible assets	9	7,818,094	8,290,335	1,913,854	2,013,683
Deferred tax assets		29,627,908	38,944,143	7,252,854	9,459,350
Other assets		20,679,113	21,611,794	5,062,207	5,249,404
TOTAL ASSETS		6,404,595,771	6,075,306,855	1,567,832,502	1,475,663,556
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from banks and other financial institutions	10	193,575,862	121,960,652	47,386,992	29,623,671
Deposits from customers	11	3,498,928,575	3,036,496,755	856,530,863	737,550,827
Borrowings	12	884,096,100	1,269,650,543	216,424,994	308,392,165
Lease liabilities	8	27,481,666	26,341,727	6,727,458	6,398,282
Current income tax liabilities		50,339,592	64,678,039	12,323,034	15,709,992
Employee benefits		2,099,290	2,310,325	513,902	561,167
Other liabilities		39,263,064	44,620,119	9,611,521	10,838,020
Subordinated debts	13	253,753,175	314,179,268	62,118,280	76,312,671
TOTAL LIABILITIES		4,949,537,324	4,880,237,428	1,211,637,044	1,185,386,795
EQUITY					
Share capital	14A	424,377,400	224,377,400	103,969,218	55,460,850
Retained earnings		623,203,250	590,276,911	153,048,830	144,936,825
General reserves		380,415,116	380,415,116	93,768,951	93,768,951
Regulatory reserves		21,938,040	-	5,367,761	-
Other reserves		5,124,641	-	1,254,502	-
Currency translation reserves		-	-	(1,213,804)	(3,889,865)
TOTAL EQUITY		1,455,058,447	1,195,069,427	356,195,458	290,276,761
TOTAL LIABILITIES AND EQUITY		6,404,595,771	6,075,306,855	1,567,832,502	1,475,663,556

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

LOLC (Cambodia) Plc.

Condensed interim statement of profit or loss and other comprehensive income for three-month and twelve-month periods ended 31 December 2023

	Notes	Three-month period ended				Twelve-month period ended			
		31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Interest income	15	213,258,572	228,158,472	51,774,356	55,257,562	891,105,944	864,653,123	216,814,098	211,561,811
Interest expense	15	(94,611,603)	(83,261,639)	(22,969,556)	(20,165,086)	(354,216,437)	(306,307,880)	(86,184,048)	(74,946,875)
Net interest income	15	<u>118,646,969</u>	<u>144,896,833</u>	<u>28,804,800</u>	<u>35,092,476</u>	<u>536,889,507</u>	<u>558,345,243</u>	<u>130,630,050</u>	<u>136,614,936</u>
Fee and commission income		4,015,617	6,018,760	974,901	1,457,680	22,222,917	27,072,105	5,407,036	6,623,955
Fee and commission expense		(164,217)	(186,558)	(39,868)	(45,182)	(832,034)	(898,943)	(202,441)	(219,952)
Net fee and commission income		<u>3,851,400</u>	<u>5,832,202</u>	<u>935,033</u>	<u>1,412,498</u>	<u>21,390,883</u>	<u>26,173,162</u>	<u>5,204,595</u>	<u>6,404,003</u>
Other operating income		1,562,924	1,531,440	379,443	370,899	5,671,028	3,720,546	1,379,812	910,337
Other gains/(losses) – net		8,425,086	5,264,756	2,045,420	1,275,068	2,892,912	(1,852,013)	703,872	(453,147)
Credit impairment reversal/(losses)	16	111,241,441	(9,536,031)	27,006,905	(2,309,526)	19,600,358	(68,813,287)	4,768,944	(16,837,115)
Net losses on derecognition of financial assets measured at amortised cost		(32,817,352)	(7,614,197)	(7,967,311)	(1,844,078)	(29,849,686)	(5,091,311)	(7,262,697)	(1,245,733)
Net other operating income/(losses)		<u>88,412,099</u>	<u>(10,354,032)</u>	<u>21,464,457</u>	<u>(2,507,637)</u>	<u>(1,685,388)</u>	<u>(72,036,065)</u>	<u>(410,069)</u>	<u>(17,625,658)</u>
Personnel expenses	17	(47,981,955)	(35,249,474)	(11,648,933)	(8,537,049)	(148,471,679)	(144,087,145)	(36,124,496)	(35,254,990)
Depreciation and amortisation charges		(3,862,000)	(3,213,958)	(937,606)	(778,387)	(14,201,166)	(12,511,187)	(3,455,272)	(3,061,215)
Other operating expenses		(14,056,292)	(14,410,384)	(3,412,550)	(3,490,042)	(54,831,042)	(54,918,223)	(13,340,886)	(13,437,295)

LOLC (Cambodia) Plc.

Condensed interim statement of profit or loss and other comprehensive income (continued) for three-month and twelve-month periods ended 31 December 2023

	Notes	Three-month period ended				Twelve-month period ended			
		31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Profit before income tax		145,010,221	87,501,187	35,205,201	21,191,859	339,091,115	300,965,785	82,503,922	73,639,781
Income tax expense	18	(28,559,754)	(17,752,182)	(6,933,662)	(4,299,390)	(69,005,113)	(61,078,176)	(16,789,565)	(14,944,501)
Profit for the period		<u>116,450,467</u>	<u>69,749,005</u>	<u>28,271,539</u>	<u>16,892,469</u>	<u>270,086,002</u>	<u>239,887,609</u>	<u>65,714,357</u>	<u>58,695,280</u>
Other comprehensive income:									
Items that will not be reclassified to profit or loss									
Currency translation differences		-	-	3,164,295	141,198	-	-	2,676,061	(2,876,501)
Other comprehensive income for the period, net of tax		-	-	3,164,295	141,198	-	-	2,676,061	(2,876,501)
Total comprehensive income for the period		<u>116,450,467</u>	<u>69,749,005</u>	<u>31,435,834</u>	<u>17,033,667</u>	<u>270,086,002</u>	<u>239,887,609</u>	<u>68,390,418</u>	<u>55,818,779</u>
Profit attributable to:									
Owners of the Company		<u>116,450,467</u>	<u>69,749,005</u>	<u>28,271,539</u>	<u>16,892,469</u>	<u>270,086,002</u>	<u>239,887,609</u>	<u>65,714,357</u>	<u>58,695,280</u>
Total comprehensive income attributable to:									
Owners of the Company		<u>116,450,467</u>	<u>69,749,005</u>	<u>31,435,834</u>	<u>17,033,667</u>	<u>270,086,002</u>	<u>239,887,609</u>	<u>68,390,418</u>	<u>55,818,779</u>

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 twelve-month period ended 31 December 2023

	Attributable to owners of the Company												
	Share capital KHR'000	Retained earnings KHR'000	General reserves KHR'000	Regulatory reserves KHR'000	Other reserves KHR'000	Total KHR'000	Share capital US\$ (Note 2(b))	Retained earnings US\$ (Note 2(b))	General reserves US\$ (Note 2(b))	Regulatory reserves US\$ (Note 2(b))	Other reserves US\$ (Note 2(b))	Currency translation reserves US\$ (Note 2(b))	Total US\$ (Note 2(b))
Balance at 1 January 2022	224,377,400	350,389,302	380,415,116	-	-	955,181,818	55,460,850	86,241,545	93,768,951	-	-	(1,013,364)	234,457,982
Profit for the period	-	239,887,609	-	-	-	239,887,609	-	58,695,280	-	-	-	-	58,695,280
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	-	-	(2,876,501)	(2,876,501)
Total comprehensive income for the period	-	239,887,609	-	-	-	239,887,609	-	58,695,280	-	-	-	(2,876,501)	55,818,779
Balance at 31 December 2022	224,377,400	590,276,911	380,415,116	-	-	1,195,069,427	55,460,850	144,936,825	93,768,951	-	-	(3,889,865)	290,276,761
Balance at 1 January 2023	224,377,400	590,276,911	380,415,116	-	-	1,195,069,427	55,460,850	144,936,825	93,768,951	-	-	(3,889,865)	290,276,761
Profit for the period	-	270,086,002	-	-	-	270,086,002	-	65,714,357	-	-	-	-	65,714,357
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	-	-	2,676,061	2,676,061
Total comprehensive income for the period	-	270,086,002	-	-	-	270,086,002	-	65,714,357	-	-	-	2,676,061	68,390,418
Transfer from retained earnings to share capitals (Note 14A)	200,000,000	(200,000,000)	-	-	-	-	48,508,368	(48,508,368)	-	-	-	-	-
Dividend paid (Note 14B)	-	(10,096,982)	-	-	-	(10,096,982)	-	(2,471,721)	-	-	-	-	(2,471,721)
Transfer from retained earnings to regulatory reserves	-	(21,938,040)	-	21,938,040	-	-	-	(5,367,761)	-	5,367,761	-	-	-
Transfer from retained earnings to other reserves	-	(5,124,641)	-	-	5,124,641	-	-	(1,254,502)	-	-	1,254,502	-	-
	200,000,000	(237,159,663)	-	21,938,040	5,124,641	(10,096,982)	48,508,368	(57,602,352)	-	5,367,761	1,254,502	-	(2,471,721)
Balance at 31 December 2023	424,377,400	623,203,250	380,415,116	21,938,040	5,124,641	1,455,058,447	103,969,218	153,048,830	93,768,951	5,367,761	1,254,502	(1,213,804)	356,195,458

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

LOLC (Cambodia) Plc.

Condensed interim statement of cash flows for the twelve-month period ended 31 December 2023

	Notes	Twelve-month period ended			
		31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Cash flows from operating activities					
Cash generated from/(used in) operations	19	256,281,782	(415,976,948)	62,355,666	(101,780,511)
Interest received		890,607,708	870,515,683	216,692,873	212,996,252
Interest paid		(340,407,104)	(280,205,951)	(82,824,113)	(68,560,301)
Income tax paid		(74,027,325)	(63,883,378)	(18,011,515)	(15,630,873)
Employee benefits paid		(7,355,020)	(7,441,853)	(1,789,542)	(1,820,860)
Net cash generated from operating activities		<u>725,100,041</u>	<u>103,007,553</u>	<u>176,423,369</u>	<u>25,203,708</u>
Cash flows from investing activities					
Deposits and placements with the National Bank of Cambodia - maturity more than three months		(269,560)	(2,167,701)	(65,586)	(530,389)
Purchases of property and equipment	7	(9,256,605)	(3,996,501)	(2,252,215)	(977,857)
Purchases of intangible assets	9	(3,024,926)	(503,329)	(735,992)	(123,154)
Proceeds from disposals of property and equipment		550,858	411,259	134,029	100,626
Net cash used in investing activities		<u>(12,000,233)</u>	<u>(6,256,272)</u>	<u>(2,919,764)</u>	<u>(1,530,774)</u>
Cash flows from financing activities					
Proceeds from borrowings		97,365,032	584,899,233	23,689,789	143,112,120
Repayments of borrowings		(479,619,214)	(451,276,784)	(116,695,673)	(110,417,613)
Proceeds from subordinated debts		-	70,022,751	-	17,133,044
Repayments of subordinated debts		(54,382,800)	(26,236,000)	(13,231,825)	(6,419,379)
Repayment of debt securities		-	(80,504,783)	-	(19,697,769)
Payment of transaction costs		(290,518)	(6,000,915)	(70,686)	(1,468,293)
Payment of dividends to shareholders		(10,096,982)	-	(2,456,687)	-
Principal element of lease payment		(5,931,236)	(5,830,957)	(1,443,123)	(1,426,708)
Net cash (used in)/generated from financing activities		<u>(452,955,718)</u>	<u>85,072,545</u>	<u>(110,208,205)</u>	<u>20,815,402</u>
Net increase in cash and cash equivalents		<u>260,144,090</u>	<u>181,823,826</u>	<u>63,295,400</u>	<u>44,488,336</u>
Cash and cash equivalents at the beginning of period		672,183,723	490,359,897	163,270,275	120,363,254
Currency translation differences		-	-	1,666,348	(1,581,315)
Cash and cash equivalents at the end of period	19	<u>932,327,813</u>	<u>672,183,723</u>	<u>228,232,023</u>	<u>163,270,275</u>

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

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements for the three-month and twelve-month periods ended 31 December 2023

1. General information

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 (MoC) 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.

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 (“NBC”).

The Company is owned by LOLC Asia Private Limited (based in Singapore) and TPC-ESOP Co., Ltd with 96.97% and 3.03% shares respectively.

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.

As at 31 December 2023, the Company has 83 office locations (82 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, the Kingdom of Cambodia.

The condensed interim financial statements were authorised to issue by the Board of Directors on 12 February 2024.

This condensed interim financial statements for the three-month and twelve-month periods ended 31 December 2023 has been reviewed, but not audited.

2. Basis of preparation

This condensed interim financial statements for the three-month and twelve-month periods ended 31 December 2023 has been prepared in accordance with Cambodian International Accounting Standard 34, “Interim financial reporting” (“CIAS 34”) and should be read in conjunction with the last annual audited financial statements for the year ended 31 December 2022 (‘last annual financial statements’). They do not include all of the information required for a complete set of financial statements prepared in accordance with Cambodian International Financial Reporting Standards (CIFRS).

However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance since the last annual financial statements.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

2. Basis of preparation (continued)

(a) New and amended standards adopted by the Company

A number of amended standards became applicable for the current reporting period as follows:

- *CIFRS 17 Insurance Contracts*;
- *Disclosure of Accounting Policies* (Amendments to CIAS 1 and CIFRS Practice Statement 2);
- *Definition of Accounting Estimates* (Amendment to CIAS 8); and
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to CIAS12*.

Those amended standards have no material impact on the Company. As a result, the Company did not have to change its accounting policies or make retrospective adjustments.

(b) Presentation in United States dollars (US\$)

The translation of Khmer Riel (KHR) into US\$ is solely for management’s use only and is based on the official exchange rates published by the National Bank of Cambodia as at the reporting dates and average rate for the period. The translations of Khmer Riel (“KHR”) into United States Dollars (“US\$”) amounts meets the presentation requirements pursuant to the Law on Accounting and Auditing and has been done in accordance with the translation method of CIAS 21-*The Effects of Changes in Foreign Exchange Rates*.

Assets and liabilities are translated into US\$ at the closing rate as at the reporting date and share capital account is translated at the historical rate. The statements of profit or loss and other comprehensive income and cash flows are translated into US\$ using the average rate for the period, which have been deemed to approximate the exchange rates at the end of transactions as exchange rates have not fluctuated significantly during the period. Exchange differences arising from the translation are recognised as “Currency Translation Reserves” in other comprehensive income.

The Company has used the official rate of exchange published by the National Bank of Cambodia. As at the reporting date, the average rates and closing rates are based on the following exchange rates:

		Closing rate	Average rate Twelve-month	Average rate three-month
31 December 2023	USD1=	KHR4,085	KHR4,110	KHR4,119
31 December 2022	USD1=	<u>KHR4,117</u>	<u>KHR4,087</u>	<u>KHR4,129</u>

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

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

3. Critical accounting estimates, assumptions and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Company's interim results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial period are outlined below:

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the condensed interim financial statements is included in the following notes.

- 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 SPPI on the principal amount outstanding.
- 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 ECL and selection and approval of models used to measure ECL.

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have material risks that could give rise to any adjustments on the carrying amounts of assets and liabilities recognised in the next financial statements is included in the following notes.

- Determination of the fair value of financial instruments with significant unobservable inputs.
- Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Impairment of financial instruments: key assumptions used in estimating recoverable cash flows.
- lease term: whether the Company is reasonably certain to exercise extension option.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

3. Critical accounting estimates, assumptions and judgements (continued)

(iii) Significant changes in the current period

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

To consider the effect of the changes in the economy and external environment on the Company's loans and advances, the management continuously refreshes the macroeconomic variables quarterly to reflect the current economic condition in its forward-looking model. For the year ended 31 December 2023, the management has refreshed the latest macroeconomics variables available which were up to 31 December 2023.

Having reflected the most recent economic conditions within the existing ECL model, the management determines that the percentages for probability-weighted scenarios of 70% (2022: 60%) for base case, 15% (2022: 10%) for best case, and 15% (2022: 30%) for worst case reflect the current economic prospect from external research houses.

As with any economic forecasts, the projects and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The ECL impacts are as follows:

Portfolio	ECL based on 2023 New model KHR'000	ECL based on 2023 Old model KHR'000	Impact on profit before income tax KHR'000
Group loans	32,993,621	40,373,282	(7,379,661)
Individual loans	55,786,943	79,032,663	(23,245,720)
Staff loans	61,624	80,800	(19,176)
Total	88,842,187	119,486,745	(30,644,558)

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

3. Critical accounting estimates, assumptions and judgements (continued)

(iii) Significant changes in the current period (continued)

(b) Other reserves

Other reserves are set up for the variance of provision between loan and advances impairment in accordance with CIFRSs or NBC provision whichever is higher and loan and advances provision covering 100% risk coverage ratio of Non-Performing Loan or portfolio at risk "PAR 90 days" in accordance with lender covenants. The Company records:

- (i) In case the loan and advances impairment in accordance with CIFRSs is higher than with the portfolio of NPL, the entity records the provision calculated in accordance with CIFRSs; and
- (ii) In case the loan and advances impairment in accordance with CIFRSs is lower than with the portfolio of NPL, the entity records the provision calculated in accordance with CIFRSs and transfer the difference from retained earnings or accumulated loss account into other reserves in shareholders' equity of the statement of the financial position (The Company gives priority to regulatory reserve first, and transfer the remaining difference to other reserves; if any).

As at 31 December 2023, the Company transferred from retained earnings to other reserves amounting to KHR5,124,641 thousands (US\$1,254,502) (2022:Nil).

4. Segment and revenue information

The Company has only one reportable segment, namely, interest income. The chief operating decision-maker (the management team) reviews the internal management report, which reports the performances of the interest income segment as a whole, to assess performance and allocate resources. The management team also reviews profit before tax and net profit as a whole compared to prior periods.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

5. Loans and advances at amortised cost

	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Group loans	574,400,820	718,540,912	140,612,196	174,530,219
Individual loans	4,483,991,759	4,411,542,341	1,097,672,401	1,071,542,954
Staff loans	33,588,984	28,609,371	8,222,517	6,949,082
Total gross loans	5,091,981,563	5,158,692,624	1,246,507,114	1,253,022,255
Less: Allowance for expected credit loss	<u>(88,842,187)</u>	<u>(151,968,151)</u>	<u>(21,748,393)</u>	<u>(36,912,351)</u>
	<u>5,003,139,376</u>	<u>5,006,724,473</u>	<u>1,224,758,721</u>	<u>1,216,109,904</u>

(a) Analysis by industry

	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Household/family	1,361,399,479	1,441,102,623	333,267,926	350,037,071
Agriculture	1,358,578,944	1,343,970,902	332,577,465	326,444,232
Trade and commerce	979,429,343	979,707,174	239,762,385	237,966,280
Services	778,684,244	788,991,815	190,620,378	191,642,413
Manufacturing	334,987,960	324,771,580	82,004,397	78,885,494
Construction	206,357,866	201,794,944	50,516,001	49,015,046
Transportation	72,543,727	65,517,963	17,758,562	15,914,006
Others	-	12,835,623	-	3,117,713
Total gross loans	<u>5,091,981,563</u>	<u>5,158,692,624</u>	<u>1,246,507,114</u>	<u>1,253,022,255</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

5. Loans and advances at amortised cost (continued)

(b) Analysis by loan classification

	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
<i>Performing</i>				
Gross amount	4,921,687,690	4,948,939,886	1,204,819,508	1,202,074,299
Exposure at default	4,921,687,690	4,948,939,886	1,204,819,508	1,202,074,299
Allowance for expected credit loss	(23,447,275)	(57,944,061)	(5,739,847)	(14,074,340)
<i>Under-performing</i>				
Gross amount	50,381,792	73,840,698	12,333,364	17,935,559
Exposure at default	50,381,792	73,840,698	12,333,364	17,935,559
Allowance for expected credit loss	(5,771,271)	(10,213,409)	(1,412,796)	(2,480,789)
<i>Non-performing</i>				
Gross amount	119,912,081	135,912,040	29,354,242	33,012,397
Exposure at default	119,912,081	135,912,040	29,354,242	33,012,397
Allowance for expected credit loss	(59,623,641)	(83,810,681)	(14,595,750)	(20,357,221)
Total gross loans	<u>5,091,981,563</u>	<u>5,158,692,624</u>	<u>1,246,507,114</u>	<u>1,253,022,255</u>
Exposure at default	<u>5,091,981,563</u>	<u>5,158,692,624</u>	<u>1,246,507,114</u>	<u>1,253,022,255</u>
Allowance for expected credit loss	<u>(88,842,187)</u>	<u>(151,968,151)</u>	<u>(21,748,393)</u>	<u>(36,912,351)</u>

(c) Analysis by maturity

	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Not later than 1 year	246,252,875	210,099,253	60,282,222	51,032,124
Later than 1 year and no later than 3 years	1,207,365,443	1,501,645,251	295,560,696	364,742,592
Later than 3 years and no later than 5 years	1,578,918,479	1,571,858,678	386,516,152	381,797,104
Later than 5 years	2,059,444,766	1,875,089,442	504,148,044	455,450,435
Total gross loans	<u>5,091,981,563</u>	<u>5,158,692,624</u>	<u>1,246,507,114</u>	<u>1,253,022,255</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

5. Loans and advances at amortised cost (continued)

(d) Analysis by relationship

	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Related parties (including staff loans)	33,588,984	28,609,371	8,222,518	6,949,082
Non-related parties	<u>5,058,392,579</u>	<u>5,130,083,253</u>	<u>1,238,284,596</u>	<u>1,246,073,173</u>
Total gross loans	<u>5,091,981,563</u>	<u>5,158,692,624</u>	<u>1,246,507,114</u>	<u>1,253,022,255</u>

(e) Analysis by residency

	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Residents	5,091,981,563	5,158,692,624	1,246,507,114	1,253,022,255
Non-residents	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total gross loans	<u>5,091,981,563</u>	<u>5,158,692,624</u>	<u>1,246,507,114</u>	<u>1,253,022,255</u>

(f) Interest rates

These loans and advances earn annual interest rates as below:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Short term loans	6.78% - 18.00%	8.87% - 18.00%
Long term loans	<u>6.78% - 18.00%</u>	<u>8.30% - 18.00%</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

5. Loans and advances at amortised cost (continued)

(g) Allowance for expected credit loss

	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
12-month ECL (Stage 1)	23,447,275	57,944,061	5,739,847	14,074,341
Lifetime ECL-not credit impaired (Stage 2)	5,771,271	10,213,409	1,412,796	2,480,789
Lifetime ECL-credit impaired (Stage 3)	59,623,641	83,810,681	14,595,750	20,357,221
	<u>88,842,187</u>	<u>151,968,151</u>	<u>21,748,393</u>	<u>36,912,351</u>

(h) Expected credit loss reconciliation – loans and advance

	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit-Impaired KHR'000	Stage 3 Lifetime ECL Credit-Impaired KHR'000	Total KHR'000
Expected Credit Losses				
Loss allowance as at 1 January 2023	57,944,061	10,213,409	83,810,681	151,968,151
<i>Changes due to exposure:</i>				
Transfer to stage 1	5,814,773	(2,338,229)	(3,476,544)	-
Transfer to stage 2	(632,406)	2,599,952	(1,967,546)	-
Transfer to stage 3	(3,159,635)	(2,258,775)	5,418,410	-
Net remeasurement of loss allowance (*)	(60,013,529)	(1,788,978)	47,860,508	(13,941,999)
New financial assets originated purchased	11,478,479	2,145,500	6,486,417	20,110,396
Financial assets derecognised during the period other than write off	(20,090,706)	(4,937,946)	(4,025,552)	(29,054,204)
Write-offs	-	(7,060)	(48,628,268)	(48,635,328)
Unwinding of discount (**)	-	-	(2,311,847)	(2,311,847)
Foreign exchange differences	32,106,238	2,143,398	(23,542,618)	10,707,018
Loss allowance as at 31 December 2023	<u>23,447,275</u>	<u>5,771,271</u>	<u>59,623,641</u>	<u>88,842,187</u>
<i>In US\$ equivalent (Note 2(b))</i>	<u>5,739,847</u>	<u>1,412,796</u>	<u>14,595,750</u>	<u>21,748,393</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

5. Loans and advances at amortised cost (continued)

(h) Expected credit loss reconciliation – loans and advances (continued)

(*) Impact of the measurement of ECL due to changes in loss given default (LGD) and probability of default (PD) during the period arising from refreshing of inputs to models.

(**) The unwinding of discount on Stage 3 loans is reported within 'Interest income' so that interest income is recognised on the amortised cost (after deducting the ECL allowance).

	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit-Impaired KHR'000	Stage 3 Lifetime ECL Credit-Impaired KHR'000	Total KHR'000
Gross carrying amount				
Gross carrying amount as at 1 January 2023	4,948,939,886	73,840,698	135,912,040	5,158,692,624
<i>Changes due to financial instruments recognised:</i>				
Transfer to stage 1	20,862,635	(11,885,640)	(8,976,995)	-
Transfer to stage 2	(24,081,754)	29,380,068	(5,298,314)	-
Transfer to stage 3	(68,701,734)	(9,720,799)	78,422,533	-
New financial assets originated or purchased	1,791,964,697	929,980	11,975,664	1,804,870,341
Financial assets derecognised during the period other than write off	(1,747,296,040)	(32,154,410)	(9,093,753)	(1,788,544,203)
Write-offs	-	(8,105)	(83,029,094)	(83,037,199)
Gross carrying amount as at 31 December 2023	<u>4,921,687,690</u>	<u>50,381,792</u>	<u>119,912,081</u>	<u>5,091,981,563</u>
<i>In US\$ equivalent (Note 2(b))</i>	<u>1,204,819,508</u>	<u>12,333,364</u>	<u>29,354,242</u>	<u>1,246,507,114</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

5. Loans and advances at amortised cost (continued)

(h) Expected credit loss reconciliation – loans and advances (continued)

	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit-Impaired KHR'000	Stage 3 Lifetime ECL Credit-Impaired KHR'000	Total KHR'000
Expected Credit Losses				
Loss allowance as at 1 January 2022	25,163,215	3,715,030	58,016,748	86,894,993
<i>Changes due to exposure:</i>				
Transfer to stage 1	993,268	(689,846)	(303,422)	-
Transfer to stage 2	(255,154)	534,614	(279,460)	-
Transfer to stage 3	(614,532)	(1,018,658)	1,633,190	-
Net remeasurement of loss allowance (*)	9,503,349	5,923,440	24,204,345	39,631,134
New financial assets originated or purchased	37,416,723	4,600,533	6,003,541	48,020,797
Financial assets derecognised during the period other than write off	(7,476,305)	(1,502,872)	(10,358,738)	(19,337,915)
Write-offs	(110)	-	(9,557,581)	(9,557,691)
Unwinding of discount (**)	-	-	3,211,363	3,211,363
Foreign exchange differences	(6,786,393)	(1,348,832)	11,240,695	3,105,470
Loss allowance as at 31 December 2022	<u>57,944,061</u>	<u>10,213,409</u>	<u>83,810,681</u>	<u>151,968,151</u>
<i>In US\$ equivalent (Note 2(b))</i>	<u>14,074,340</u>	<u>2,480,789</u>	<u>20,357,222</u>	<u>36,912,351</u>

(*) Impact of the measurement of ECL due to changes in loss given default (LGD) and probability of default (PD) during the period arising from refreshing of inputs to models.

(**) The unwinding of discount on Stage 3 loans is reported within 'Interest income' so that interest income is recognised on the amortised cost (after deducting the ECL allowance).

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

5. Loans and advances at amortised cost (continued)

(h) Expected credit loss reconciliation – loans and advances (continued)

	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit-Impaired KHR'000	Stage 3 Lifetime ECL Credit-Impaired KHR'000	Total KHR'000
Gross carrying amount				
Gross carrying amount as at 1 January 2022	3,932,943,702	181,173,597	107,690,986	4,221,808,285
<i>Changes due to financial instruments recognised:</i>				
Transfer to stage 1	42,882,176	(42,311,161)	(571,015)	-
Transfer to stage 2	(33,191,514)	33,855,850	(664,336)	-
Transfer to stage 3	(40,501,375)	(20,399,581)	60,900,956	-
New financial assets originated or purchased	2,454,455,799	(2,221,780)	8,107,553	2,460,341,572
Financial assets derecognised during the period other than write off	(1,407,644,808)	(76,256,227)	(21,775,393)	(1,505,676,428)
Write-offs	(4,094)	-	(17,776,711)	(17,780,805)
Gross carrying amount as at 31 December 2022	<u>4,948,939,886</u>	<u>73,840,698</u>	<u>135,912,040</u>	<u>5,158,692,624</u>
<i>In US\$ equivalent (Note 2(b))</i>	<u>1,202,074,299</u>	<u>17,935,559</u>	<u>33,012,397</u>	<u>1,253,022,255</u>

6. Statutory deposits with the National Bank of Cambodia

	Note	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Capital guarantee	(a)	329,174,021	22,437,740	80,581,156	5,450,022
Reserve requirement	(b)	42,437,740	268,375,260	10,388,675	65,187,092
		<u>371,611,761</u>	<u>290,813,000</u>	<u>90,969,831</u>	<u>70,637,114</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

6. Statutory deposits with the National Bank of Cambodia (continued)

(a) Capital guarantee

Under Prakas No. B7-07-163 dated 13 December 2007 on Licensing of Deposit-Taking Microfinance Institutions, the Company is required to maintain a capital guarantee deposit equivalent to 10% of registered capital with the NBC. On 25 April 2023, the Company received approval from the National Bank of Cambodia (“NBC”) to transfer retained earnings amounting to KHR200,000 million to share capital. This deposit is not available for use in the Company’s day-to-day operations but is refundable when the Company voluntarily ceases to operate the business in Cambodia. The capital guarantee deposit earns annual interest rate at 3% (31 December 2022: 3%) during the periods.

(b) Reserve requirement

This represents the minimum reserve requirement which is calculated at 7.00% of the total deposits from customers (31 December 2022: 8.00%) as required by the NBC’s Prakas No. B7-07-163. The reserve requirement fluctuates depending on the level of deposits from customers and does not earn interest.

On 9 January 2023, the NBC announced, through Prakas No. B7-023-005, the increase of the Reserve Requirements Rate (“RRR”) to 9% and 12.5% for foreign currencies deposits and borrowings, which effective from 1 January 2023 to 31 December 2023, and from 1 January 2024 onward, respectively. While the RRR for local currency deposits and borrowings will remain at 7%. On 28 February 2023, the NBC announced through NBC letter B7-023-438 to delay in implementation of the reserve requirement against borrowings at daily average balance until 1 September 2023.

On 16 August 2023, Cambodia Microfinance Association (“CMA”) submitted a request letter No. 194/2023 to the NBC for another delay in the implementation of reserve requirement against borrowings at daily average balance until end of June 2024. On 23 November 2023, the NBC responded to CMA through a letter No. B7-023-2621. CHHOR T allowed the institution to maintain reserve requirement at the rate of 7% until 31 December 2024.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

7. Property and equipment

2023	Furniture and equipment KHR'000	Motor vehicles KHR'000	Computer equipment KHR'000	Leasehold improvement KHR'000	KHR'000	Total	US\$ (Note 2(b))
Cost							
At 1 January	4,705,627	13,905,072	15,942,656	2,366,310	36,919,665		8,967,614
Additions	1,862,668	685,631	6,517,690	190,616	9,256,605		2,252,215
Disposals	(160,312)	(2,077,469)	(449,735)	(4,063)	(2,691,579)		(654,885)
Currency translation difference	-	-	-	-	-		80,023
At 31 December	<u>6,407,983</u>	<u>12,513,234</u>	<u>22,010,611</u>	<u>2,552,863</u>	<u>43,484,691</u>		<u>10,644,967</u>
Less: Accumulated depreciation							
At 1 January	3,986,758	11,921,287	12,745,490	1,421,006	30,074,541		7,304,965
Depreciation for the period	752,945	731,044	2,174,023	282,439	3,940,451		958,747
Disposals	(157,713)	(2,065,769)	(448,339)	(3,996)	(2,675,817)		(651,050)
Currency translation difference	-	-	-	-	-		59,107
At 31 December	<u>4,581,990</u>	<u>10,586,562</u>	<u>14,471,174</u>	<u>1,699,449</u>	<u>31,339,175</u>		<u>7,671,769</u>
Carrying amounts							
At 1 January	<u>718,869</u>	<u>1,983,785</u>	<u>3,197,166</u>	<u>945,304</u>	<u>6,845,124</u>		<u>1,662,649</u>
At 31 December	<u>1,825,993</u>	<u>1,926,672</u>	<u>7,539,437</u>	<u>853,414</u>	<u>12,145,516</u>		<u>2,973,198</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

7. Property and equipment (continued)

2022	Furniture and equipment KHR'000	Motor vehicles KHR'000	Computer equipment KHR'000	Leasehold improvement KHR'000	Total KHR'000	US\$ (Note 2(b))
Cost						
At 1 January	4,293,667	14,150,343	14,561,067	1,971,061	34,976,138	8,585,208
Additions	478,935	883,764	2,238,553	395,249	3,996,501	977,857
Disposals	(66,975)	(1,129,035)	(856,964)	-	(2,052,974)	(502,318)
Currency translation difference	-	-	-	-	-	(93,133)
At 31 December	<u>4,705,627</u>	<u>13,905,072</u>	<u>15,942,656</u>	<u>2,366,310</u>	<u>36,919,665</u>	<u>8,967,614</u>
Less: Accumulated depreciation						
At 1 January	3,600,771	12,384,608	11,422,902	1,159,096	28,567,377	7,012,120
Depreciation for the period	452,061	590,569	2,176,364	261,910	3,480,904	851,701
Disposals	(66,074)	(1,053,890)	(853,776)	-	(1,973,740)	(482,931)
Currency translation difference	-	-	-	-	-	(75,925)
At 31 December	<u>3,986,758</u>	<u>11,921,287</u>	<u>12,745,490</u>	<u>1,421,006</u>	<u>30,074,541</u>	<u>7,304,965</u>
Carrying amounts						
At 1 January	<u>692,896</u>	<u>1,765,735</u>	<u>3,138,165</u>	<u>811,965</u>	<u>6,408,761</u>	<u>1,573,088</u>
At 31 December	<u>718,869</u>	<u>1,983,785</u>	<u>3,197,166</u>	<u>945,304</u>	<u>6,845,124</u>	<u>1,662,649</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

8. Leases

This note provides information for leases where the Company is a lessee.

The Company leases various buildings for its head office and branch operation. Rental contracts are typically made for fixed periods of one to twelve years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

(i) Amounts recognised in the statement of financial position

	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
<i>Right-of-use assets (Non-current)</i>				
Buildings	<u>28,661,010</u>	<u>28,364,039</u>	<u>7,016,159</u>	<u>6,889,492</u>
<i>Lease liabilities</i>				
Current	5,733,058	5,006,649	1,403,441	1,216,092
Non-current	<u>21,748,608</u>	<u>21,335,078</u>	<u>5,324,017</u>	<u>5,182,190</u>
	<u>27,481,666</u>	<u>26,341,727</u>	<u>6,727,458</u>	<u>6,398,282</u>

Right-of-use assets' additions during the period were KHR7,284,149 thousand (2022: KHR6,671,803 thousand).

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

8. Leases (continued)

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Three-month period ended				Twelve-month period ended			
	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
<i>Depreciation of right-of-use assets</i>								
Buildings	<u>1,792,744</u>	<u>1,633,164</u>	<u>435,238</u>	<u>395,535</u>	<u>6,763,548</u>	<u>6,333,456</u>	<u>1,645,632</u>	<u>1,549,659</u>
Interest expense (Note 15)	<u>567,345</u>	<u>533,704</u>	<u>137,738</u>	<u>129,258</u>	<u>2,117,106</u>	<u>2,140,901</u>	<u>515,111</u>	<u>523,831</u>
Expense relating to short-term lease and leases of low-value assets (included in operating expenses)	<u>2,422,478</u>	<u>2,137,651</u>	<u>588,123</u>	<u>517,716</u>	<u>9,214,371</u>	<u>7,950,156</u>	<u>2,241,939</u>	<u>1,945,230</u>
Total expenses related to leases	<u>4,782,567</u>	<u>4,304,519</u>	<u>1,161,099</u>	<u>1,042,509</u>	<u>18,095,025</u>	<u>16,424,513</u>	<u>4,402,682</u>	<u>4,018,720</u>

Total cash outflow for lease during the period was KHR5,931,236 thousand (2022: KHR5,830,957 thousand).

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

9. Intangible assets

2023	Software and license KHR'000	Work in progress KHR'000	Total KHR'000	US\$ (Note 2(b))
Cost				
At 1 January	14,132,015	316,425	14,448,440	3,509,458
Additions	1,462,985	1,561,941	3,024,926	735,992
Transfers	158,537	(158,537)	-	-
Currency translation difference	-	-	-	31,996
At 31 December	<u>15,753,537</u>	<u>1,719,829</u>	<u>17,473,366</u>	<u>4,277,446</u>
Less: Accumulated depreciation				
At 1 January	6,158,105	-	6,158,105	1,495,775
Amortisation for the period	3,497,167	-	3,497,167	850,892
Currency translation difference	-	-	-	16,925
At 31 December	<u>9,655,272</u>	<u>-</u>	<u>9,655,272</u>	<u>2,363,592</u>
Carrying amounts				
At 1 January	<u>7,973,910</u>	<u>316,425</u>	<u>8,290,335</u>	<u>2,013,683</u>
At 31 December	<u>6,098,265</u>	<u>1,719,829</u>	<u>7,818,094</u>	<u>1,913,854</u>
2022				
Cost				
At 1 January	12,435,484	1,627,825	14,063,309	3,451,966
Additions	334,262	169,067	503,329	123,154
Transfers	1,362,269	(1,362,269)	-	-
Write-off	-	(118,198)	(118,198)	(28,920)
Currency translation difference	-	-	-	(36,742)
At 31 December	<u>14,132,015</u>	<u>316,425</u>	<u>14,448,440</u>	<u>3,509,458</u>
Less: Accumulated depreciation				
At 1 January	3,461,278	-	3,461,278	849,602
Amortisation for the period	2,696,827	-	2,696,827	659,855
Currency translation difference	-	-	-	(13,682)
At 31 December	<u>6,158,105</u>	<u>-</u>	<u>6,158,105</u>	<u>1,495,775</u>
Carrying amounts				
At 1 January	<u>8,974,206</u>	<u>1,627,825</u>	<u>10,602,031</u>	<u>2,602,364</u>
At 31 December	<u>7,973,910</u>	<u>316,425</u>	<u>8,290,335</u>	<u>2,013,683</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

10. Deposits from banks and other financial institutions

	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Savings deposits	3,195,172	6,372,888	782,172	1,547,945
Fixed deposits	185,466,385	113,255,124	45,401,808	27,509,139
	188,661,557	119,628,012	46,183,980	29,057,084
Accrued interest payables	4,914,305	2,332,640	1,203,012	566,587
	<u>193,575,862</u>	<u>121,960,652</u>	<u>47,386,992</u>	<u>29,623,671</u>
	193,575,862	121,960,652	47,386,992	29,623,671
Current	193,575,862	121,960,652	47,386,992	29,623,671
Non-current	-	-	-	-
	<u>193,575,862</u>	<u>121,960,652</u>	<u>47,386,992</u>	<u>29,623,671</u>

The annual interest rate for deposits from banks and other financial institutions are as below:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Savings deposits	1.00% - 3.00%	1.00% - 3.00%
Fixed deposits	<u>5.00% - 7.90%</u>	<u>4.00% - 6.25%</u>

11. Deposits from customers

	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Savings deposits	198,741,416	185,279,195	48,651,509	45,003,448
Fixed deposits	3,203,384,691	2,769,286,884	784,182,299	672,646,802
	3,402,126,107	2,954,566,079	832,833,808	717,650,250
Accrued interest payables	96,802,468	81,930,676	23,697,055	19,900,577
	<u>3,498,928,575</u>	<u>3,036,496,755</u>	<u>856,530,863</u>	<u>737,550,827</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

11. Deposits from customers (continued)

	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Current	3,168,407,625	2,845,931,679	775,619,982	691,263,463
Non-current	<u>330,520,950</u>	<u>190,565,076</u>	<u>80,910,881</u>	<u>46,287,364</u>
	<u>3,498,928,575</u>	<u>3,036,496,755</u>	<u>856,530,863</u>	<u>737,550,827</u>

The annual interest rate for deposits from customers are as below:

	31 December 2023	31 December 2022
Savings deposits	0.00% - 5.00%	1.00% - 5.25%
Fixed deposits	<u>2.90% - 9.40%</u>	<u>2.90% - 10.00%</u>

12. Borrowings

As at 31 December 2023, the Company is in breach of covenants of one lender, of which the actual performance ratio exceeded the limit as follows:

	Limit	Actual	31 December 2023 KHR'000	31 December 2023 US\$ (Note 2(b))
Open credit exposure	<= 10.00%	11.33%	<u>32,721,367</u>	<u>8,010,127</u>

As of the date of these condensed interim financial statements, the non-current liabilities portion of KHR17,898,262 thousand (US\$4,381,459) had been reclassified to current liabilities.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

12. Borrowings (continued)

Borrowings are further analysed as follows:

	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Current	426,603,927	457,438,448	104,431,806	111,109,655
Non-current	457,492,173	812,212,095	111,993,188	197,282,510
	<u>884,096,100</u>	<u>1,269,650,543</u>	<u>216,424,994</u>	<u>308,392,165</u>

During the period, the Company has obtained additional borrowings from various financial institutions amounting to KHR97,074,514 thousand (2022: KHR579,700,068 thousand). The annual interest rates are ranging from 5.25% to 8.20% (2022: 4.75% to 8.30%).

13. Subordinated debts

	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Current	72,213,624	58,600,532	17,677,754	14,233,795
Non-current	181,539,551	255,578,736	44,440,526	62,078,876
	<u>253,753,175</u>	<u>314,179,268</u>	<u>62,118,280</u>	<u>76,312,671</u>

During the period, the Company repaid subordinated debts to various financial institutions amounting to KHR54,382,800 thousand (2022: KHR26,236,000 thousand). The annual interest rates are ranging from 7.50% to 10.47% (2022: 7.50% to 10.47%).

During the period, the Company converted subordinated debts from BlueOrchard to borrowings amounting to KHR4,132,000 thousand (equivalent to US\$1,000,000).

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

14. Share capital

A. Share capital

On 25 April 2023, the Company received approval from the National Bank of Cambodia (“NBC”) to transfer retained earnings amounting to KHR200,000 million to share capital and the Memorandum and Articles of Association (“MoAA”) of the Company had been updated to reflect this change and was endorsed by the Ministry of Commerce (“MoC”) on 10 May 2023.

The total number of authorised shares of the Company as at 31 December 2023 was 4,243,774 shares (2022: 2,243,774 shares) with a par value of KHR100 thousand per share (2022: KHR100 thousand). All authorised shares are issued and fully paid up.

The detail of shareholders and shareholding structure are as follows:

	31 December 2023		
	%	Number of shares	KHR'000
Shareholders:			
LOLC Asia Private Limited	97	4,115,192	411,519,200
TPC-ESOP Co., Ltd	3	128,582	12,858,200
	<u>100</u>	<u>4,243,774</u>	<u>424,377,400</u>
In US\$ equivalent (Note 2(b))			<u>103,969,218</u>
	31 December 2022		
	%	Number of shares	KHR'000
Shareholders:			
LOLC Asia Private Limited	97	2,175,792	217,579,200
TPC-ESOP Co., Ltd	3	67,982	6,798,200
	<u>100</u>	<u>2,243,774</u>	<u>224,377,400</u>
In US\$ equivalent (Note 2(b))			<u>55,460,850</u>

B. Dividend

On 15 August 2023, the Board of Directors approved for a dividend to be paid to its shareholders amounting to KHR10,096,982 thousand (2022: Nil). The dividend distribution was approved by the National Bank of Cambodia on 6 October 2023 and paid to the shareholders on 9 October 2023.

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

15. Net interest income

	Three-month period ended				Twelve-month period ended			
	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
<i>Interest income from financial assets at amortised cost</i>								
Loans and advances	209,546,641	227,370,245	50,873,183	55,066,661	881,228,658	861,866,763	214,410,866	210,880,050
Deposits and placements with banks	3,373,305	599,271	818,962	145,137	8,705,508	2,069,838	2,118,128	506,444
Deposits and placements with the central bank	338,626	188,956	82,211	45,764	1,171,778	716,522	285,104	175,317
Total interest income	<u>213,258,572</u>	<u>228,158,472</u>	<u>51,774,356</u>	<u>55,257,562</u>	<u>891,105,944</u>	<u>864,653,123</u>	<u>216,814,098</u>	<u>211,561,811</u>
<i>Interest expense on financial liabilities at amortised cost</i>								
Deposits from customers	(70,344,556)	(53,322,570)	(17,078,067)	(12,914,161)	(246,902,950)	(183,315,247)	(60,073,710)	(44,853,253)
Borrowings	(16,919,383)	(21,422,946)	(4,107,643)	(5,188,410)	(76,333,731)	(89,845,644)	(18,572,684)	(21,983,275)
Subordinated debts	(6,780,319)	(7,982,419)	(1,646,108)	(1,933,257)	(28,862,650)	(28,887,454)	(7,022,543)	(7,068,132)
Debt securities	-	-	-	-	-	(2,118,634)	-	(518,384)
Lease liabilities	(567,345)	(533,704)	(137,738)	(129,258)	(2,117,106)	(2,140,901)	(515,111)	(523,831)
	<u>(94,611,603)</u>	<u>(83,261,639)</u>	<u>(22,969,556)</u>	<u>(20,165,086)</u>	<u>(354,216,437)</u>	<u>(306,307,880)</u>	<u>(86,184,048)</u>	<u>(74,946,875)</u>
Net interest income	<u>118,646,969</u>	<u>144,896,833</u>	<u>28,804,800</u>	<u>35,092,476</u>	<u>536,889,507</u>	<u>558,345,243</u>	<u>130,630,050</u>	<u>136,614,936</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

16. Credit impairment (reversal)/losses

	Three-month period ended				Twelve-month period ended			
	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
<i>Expected Credit Loss (ECL):</i>								
Loans and advances	(111,932,009)	9,477,593	(27,174,559)	2,295,373	(22,885,807)	68,314,016	(5,568,323)	16,714,954
Deposits and placements with banks	690,568	58,438	167,654	14,153	3,285,449	499,271	799,379	122,161
	<u>(111,241,441)</u>	<u>9,536,031</u>	<u>(27,006,905)</u>	<u>2,309,526</u>	<u>(19,600,358)</u>	<u>68,813,287</u>	<u>(4,768,944)</u>	<u>16,837,115</u>

17. Personnel expenses

	Three-month period ended				Twelve-month period ended			
	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Salaries and wage expenses	45,696,312	32,415,228	11,094,031	7,850,624	136,762,870	132,943,083	33,275,637	32,528,281
Other benefits	2,285,643	2,834,246	554,902	686,425	11,708,809	11,144,062	2,848,859	2,726,709
	<u>47,981,955</u>	<u>35,249,474</u>	<u>11,648,933</u>	<u>8,537,049</u>	<u>148,471,679</u>	<u>144,087,145</u>	<u>36,124,496</u>	<u>35,254,990</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

18. Income tax expense

(a) Income tax expense

	Three-month period ended				Twelve-month period ended			
	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Current income tax	9,386,119	17,515,618	2,278,737	4,242,097	59,688,880	73,796,707	14,522,842	18,056,449
Deferred income tax	19,173,635	236,564	4,654,925	57,293	9,316,233	(12,718,531)	2,266,723	(3,111,948)
	<u>28,559,754</u>	<u>17,752,182</u>	<u>6,933,662</u>	<u>4,299,390</u>	<u>69,005,113</u>	<u>61,078,176</u>	<u>16,789,565</u>	<u>14,944,501</u>

(b) Reconciliation between income tax expenses and accounting profit

	Three-month period ended				Twelve-month period ended			
	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Profit before income tax	145,010,221	87,501,187	35,205,201	21,191,859	339,091,115	300,965,785	82,503,922	73,639,781
Tax expenses at 20%	29,002,044	17,500,237	7,041,039	4,238,372	67,818,223	60,193,157	16,500,784	14,727,956
Tax effect of reconciling items:								
Expenses not deductible for tax purposes	115,576	251,945	28,060	61,018	728,854	885,019	177,337	216,545
Others	(557,866)	-	(135,437)	-	458,036	-	111,444	-
Income tax expense	<u>28,559,754</u>	<u>17,752,182</u>	<u>6,933,662</u>	<u>4,299,390</u>	<u>69,005,113</u>	<u>61,078,176</u>	<u>16,789,565</u>	<u>14,944,501</u>

Under the Cambodian tax regulations, the Company is subject to 20% Income Tax.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

19. Cash generated from/(used in) operations

	Twelve-month period ended			
	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Profit before income tax	339,091,115	300,965,785	82,503,922	73,639,781
<i>Adjustments for:</i>				
Depreciation and amortisation charges	14,201,166	12,511,187	3,455,272	3,061,215
Credit impairment (reversal)/losses	(19,600,358)	68,813,287	(4,768,944)	16,837,115
Net losses on derecognition of financial assets measured at amortised cost	29,849,686	5,091,311	7,262,697	1,245,733
Gain on disposals of property and equipment	(535,095)	(332,025)	(130,193)	(81,239)
Written off on intangible assets	-	118,198	-	28,920
Provision employee benefits	7,143,981	7,303,171	1,738,195	1,786,927
Unrealised exchange gains	(2,452,700)	(4,439,865)	(596,764)	(1,086,338)
Net interest income (Note 15)	(536,889,507)	(558,345,243)	(130,630,050)	(136,614,936)
<i>Changes in working capital:</i>				
Reserve requirement deposits	(80,798,761)	(71,158,770)	(19,659,066)	(17,411,003)
Loans and advances	(5,896,944)	(939,593,780)	(1,434,780)	(229,898,160)
Other assets	932,681	(2,337,615)	226,930	(571,964)
Deposits from banks and other financial institutions	69,033,545	(72,533,327)	16,796,483	(17,747,327)
Deposits from customers	447,560,028	833,511,691	108,895,384	203,942,180
Other liabilities	(5,357,055)	4,449,047	(1,303,420)	1,088,585
Cash generated from/ (used in) operations	<u>256,281,782</u>	<u>(415,976,948)</u>	<u>62,355,666</u>	<u>(101,780,511)</u>

For purpose of preparing the condensed interim statement of cash flows, cash and cash equivalents comprise the following:

	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Cash on hand	124,372,008	106,809,850	30,446,024	25,943,612
<i>Balances with the NBC</i>				
Current accounts	96,106,522	171,456,969	23,526,688	41,646,094
Settlement accounts	33,309,182	18,889,464	8,154,023	4,588,162
<i>Balances with other banks</i>				
Current accounts	272,879,251	175,144,437	66,800,306	42,541,763
Savings accounts	203,438,836	146,908,461	49,801,429	35,683,376
Term deposits (original maturity up to three months)	202,222,014	52,974,542	49,503,553	12,867,268
	<u>932,327,813</u>	<u>672,183,723</u>	<u>228,232,023</u>	<u>163,270,275</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

20. Related party transactions and balances

The Company entered into a number of transactions with related parties in the normal course of business. The volumes of related party transactions, outstanding balance at the period end and relating expenses and income for the period are as follows:

(a) Related parties and relationship

The related parties of and their relationship with the Company are as follows:

Relationship	Related party
Ultimate parent	LOLC Holdings Plc.
Shareholders	LOLC Asia Private Limited TPC-ESOP Co., Ltd.
Related company	Entity under the same parent company
Key management personnel	All directors of the Company who make critical decisions in relation to the strategic direction of the Company and senior management staff (including their close family members)

(b) Loans and advances to key management personnel

	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Loans to key management personnel	<u>4,369,644</u>	<u>2,725,576</u>	<u>1,069,680</u>	<u>662,030</u>

Loans and advances to key management personnel are secured and having interest rate range from 6.78% to 14.40% (2022: 8.30% to 12%) per annum. Allowances for expected credit losses for loans to related parties recognised during the period was KHR4,541 thousand (2022: KHR4,184 thousand).

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

20. Related party transactions and balances (continued)

(c) Related parties balances

	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Receivables from related companies	<u>279,135</u>	<u>134,663</u>	<u>68,332</u>	<u>32,709</u>
Payables to related companies	<u>1,140,781</u>	<u>480,017</u>	<u>279,261</u>	<u>116,594</u>

Deposits from related parties

	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Deposits from related parties				
Shareholders	95,771	215,211	23,445	52,274
Board of directors	1,936,539	1,706,698	474,061	414,549
Key management personnel	13,912,464	9,030,492	3,405,744	2,193,464
Related companies	<u>187,003</u>	<u>1,710,763</u>	<u>45,778</u>	<u>415,536</u>
	<u>16,131,777</u>	<u>12,663,164</u>	<u>3,949,028</u>	<u>3,075,823</u>
Interest payables	<u>403,812</u>	<u>187,187</u>	<u>98,852</u>	<u>45,467</u>

The receivables are unsecured and bear no interest. There are no allowances against receivables from related parties.

Annual interest rates during the period are as follows:

	31 December 2023	31 December 2022
Shareholders	3.00% – 8.50%	3.00%
Board of directors	3.00% – 8.75%	3.00% – 7.90%
Key management personnel	1.00% – 9.13%	1.00% – 9.00%
Related companies	<u>1.00% – 3.00%</u>	<u>3.00%</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

20. Related party transactions and balances (continued)

(d) Transactions with related parties

	Three-month period ended				Twelve-month period ended			
	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
<i>(i) Incomes from related companies:</i>								
Rental income	13,840	16,599	3,360	4,020	57,951	65,719	14,100	16,080
Management fee income	65,521	53,892	15,907	13,052	190,330	202,458	46,309	49,537
IT service fee income	-	-	-	-	71,830	19,851	17,477	4,857
	<u>79,361</u>	<u>70,491</u>	<u>19,267</u>	<u>17,072</u>	<u>338,791</u>	<u>288,028</u>	<u>82,431</u>	<u>70,474</u>
<i>(ii) Expenses to related companies:</i>								
License fees	158,054	105,628	38,372	25,582	630,836	551,271	153,488	134,884
IT consultancy and support fees	342,907	241,864	83,250	58,577	854,437	755,698	207,892	184,903
Rental expense	-	6,813	-	1,650	6,782	26,974	1,650	6,600
Insurance expenses	2,046,233	392,573	496,779	95,077	4,362,366	1,693,818	1,061,403	414,440
	<u>2,547,194</u>	<u>746,878</u>	<u>618,401</u>	<u>180,886</u>	<u>5,854,421</u>	<u>3,027,761</u>	<u>1,424,433</u>	<u>740,827</u>
<i>(iii) Interest income/expense</i>								
Interest income	60,825	86,005	14,767	20,829	259,160	253,459	63,056	62,016
Interest expense	307,080	114,356	74,552	27,696	878,805	493,662	213,821	120,788

Transactions with related parties were made on normal commercial terms and conditions.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

20. Related party transactions and balances (continued)

(e) Key management compensation

	Three-month periods ended				Twelve-month periods ended			
	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))	31 December 2023 KHR'000	31 December 2022 KHR'000	31 December 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Directors' fees	195,976	202,405	47,579	49,020	789,825	735,515	192,172	179,965
Salaries and other benefits to key management	<u>5,069</u>	<u>3,351,272</u>	<u>1,231</u>	<u>811,643</u>	<u>12,605,987</u>	<u>11,310,625</u>	<u>3,067,150</u>	<u>2,767,464</u>
	<u>201,045</u>	<u>3,553,677</u>	<u>48,810</u>	<u>860,663</u>	<u>13,395,812</u>	<u>12,046,140</u>	<u>3,259,322</u>	<u>2,947,429</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

21. Fair value measurement of financial instruments

This note provides an update on the judgements and estimates made by the Company in determining the fair values of the financial instruments since the last annual audited financial statements.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Company's financial assets measured and recognised at fair value at 31 December 2023 and 31 December 2022 on a recurring basis:

	Level 1 KHR'000	Level 2 KHR'000	Level 3 KHR'000	Total KHR'000
As at 31 December 2023				
Financial assets				
<i>Financial assets at fair value through other comprehensive income (FVOCI)</i>				
Equity securities	-	-	61,275	61,275
Total financial assets	-	-	61,275	61,275
<i>In US\$ equivalent (Note 2(b))</i>	-	-	15,000	15,000
As at 31 December 2022				
Financial assets				
<i>Financial assets at fair value through other comprehensive income (FVOCI)</i>				
Equity securities	-	-	61,755	61,755
Total financial assets	-	-	61,755	61,755
<i>In US\$ equivalent (Note 2(b))</i>	-	-	15,000	15,000

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

21. Fair value measurement of financial instruments (continued)

(a) Fair value hierarchy (continued)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(b) Fair value measurements using significant unobservable inputs (level 3)

The unlisted equity securities are the investment in Credit Bureau Cambodia (“CBC”) to be measured at fair value through other comprehensive income as they are not held for trading and the Company has irrevocably elected at initial recognition to recognize as the financial assets at FVOCI. These are the strategic investments and the Company considers this classification to be more relevant.

The fair value of FVOCI have been determined based on present values and the discount rate used were adjusted for counterparty or own credit risk.

There is no gain/loss recognised in other comprehensive income due to fair value approximate the carrying amount.

(c) Financial instruments not measured at fair value

As at the balance sheet date, the fair values of financial instruments of the Company approximate their carrying amounts.

The estimated fair values are based on the following methodologies and assumptions:

(i) Deposits and placements with the central bank and banks

The carrying amounts of deposits and placements with the central bank and banks approximate their fair values, since these accounts consist mostly of current, savings and short-term deposits.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

21. Fair value measurement of financial instruments (continued)

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

(ii) Loans and advances

For fixed rate loans with remaining period to maturity of less than one year, the carrying amounts are generally reasonable estimates of their fair values.

For fixed rate loans with remaining period to maturity of one year and above, fair values are estimated by discounting the estimated future cash flows using a current lending rate as the prevailing market rates of loans with similar credit risks and maturities have been assessed as insignificantly different to the contractual lending rates. As a result, the fair value of non-current loan and advances to customers is approximate to their carrying value as reporting date.

(iii) Deposits from banks, other financial institutions and customers

The fair value of deposits from banks, other financial institutions and customers with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair value of deposits from customers with remaining maturities of one year or more are expected to approximate their carrying amount due to the Company offered similar interest rate of the instrument with similar maturities and terms.

(iv) Other financial assets and other financial liabilities

The carrying amounts of other financial assets and other financial liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

(v) Borrowings and subordinated debts

Borrowings and subordinated debts issued are not quoted in active market and their fair value approximate their carrying amount.

22. Tax contingency

On 15 June 2023, the General Department of Taxation (“GDT”) issued a notice of tax reassessment (“NTR”) for comprehensive tax audit for the period from 1 January 2019 to 31 December 2019 with total reassessed amount of KHR1,716,338,470 (equivalent to US\$420,156).

Subsequently, the Company has submitted the protest letter and the supporting documents on 14 July 2023 to clarify GDT’s findings in the reassessment. The Company has not made a provision in these condensed interim financial statements yet as management has assessed the current situation and believes that they have fully complied with the relevant tax regulations.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2023

22. Tax contingency (continued)

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 could be significant.

23. Seasonality

The principal businesses of the Company are mainly to providing lending and other financial services to the citizens and small and medium size enterprises, and to engage in all other activities that support these objectives. There is no significant seasonality factor associated with these businesses.