

**LOLC (CAMBODIA) PLC.**

**Condensed Interim Financial Statements  
for the six-month period ended 30 June 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. Damburæ 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 Komg, 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 six-month period ended 30 June 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 six-month period ended 30 June 2019 were as follows:

	For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
	KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)
Profit before income tax	76,004,283	18,840,924	47,341,460	11,741,434
Income tax expense	(16,879,973)	(4,184,426)	(10,704,918)	(2,654,990)
Net profit for the period	<u>59,124,310</u>	<u>14,656,498</u>	<u>36,636,542</u>	<u>9,086,444</u>

### 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 10 November 2018, the Company sent the request to the NBC to increase the share capital from KHR120,000,000 thousand (equivalent to US\$29,865,605) to KHR140,846,600 thousand (equivalent to US\$34,640,089). The request was approved by the NBC on 22 February 2019.

## LOLC (Cambodia) Plc.

### Advance capital contribution

On 3 June 2019, the Board of Directors approved to increase the registered capital to KHR182,612,000 thousand via cash injection from LOLC Private Limited and TPC-ESOP Co., Ltd. amounting to KHR40,500,000 thousand and KHR1,265,400 thousand, respectively. As of the date of these condensed interim financial statements, the Company received the cash capital injection from LOLC Private Limited and TPC-ESOP Co., Ltd. amounting to KHR20,375,000 thousand and KHR1,265,400 thousand, respectively. Additionally, on 8 July 2019, the Company received the remaining cash capital injection from LOLC Private Limited amounting to KHR20,375,000 thousand. As of the date of this report, the Company is waiting for the approval from the NBC and the endorsement on the revised Memorandum and Articles of Association (“MoAA”) by Ministry of Commerce (“MoC”).

### 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 and advances, and the making of allowance for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and adequate allowance had been made for bad and doubtful loans and advances.

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad loans and advances, or the amount of allowance for doubtful loans and advances 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.

## LOLC (Cambodia) Plc.

### 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.

### 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

## LOLC (Cambodia) Plc.

### 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.

### Directors' responsibility in respect of the condensed interim financial statements

The Board of Directors is responsible for ascertaining that the condensed interim financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2019, and its financial performance and its cash flows for the six-month period 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 Financial Reporting Standards or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the 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.

## LOLC (Cambodia) Plc.

### Approval of the condensed interim financial statements

I, on behalf of Board of Directors, hereby approve the accompanying condensed interim financial statements as at 30 June 2019 and for the six-month period then ended, as set out on pages 8 to 67 are prepared, in all material respects, in accordance with CIAS34 *Interim Financial Reporting*.



Mr. Sok Voeun  
*Chief Executive Officer*

Phnom Penh, Kingdom of Cambodia

Date: 29 NOV 2019



KPMG Cambodia Ltd  
4<sup>th</sup> Floor, Delano Center  
No. 144, Street 169, Sangkat Veal Vong  
Khan 7 Makara, Phnom Penh  
Kingdom of Cambodia  
+855 23 216 899 | kpmg.com.kh

## **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 30 June 2019, and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and notes to the condensed interim financial information as set out on pages 8 to 67 (“the condensed interim financial information”). Management is responsible for the preparation and fair presentation 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 30 June 2019 and for the six-month period 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 and loss and other comprehensive income for the three-month period ended 30 June 2018 and for the six-month period ended 30 June 2018, the condensed interim statements of changes in equity and cash flows for the six-month period ended 30 June 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

29 November 2019

## LOLC (Cambodia) Plc.

### Condensed interim statement of financial position as at 30 June 2019

	Note	30 June 2019		31 December 2018		1 January 2018	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>ASSETS</b>							
Cash on hand	24	42,811,561	10,529,159	49,019,393	12,199,948	18,201,556	4,508,684
Balances with the National Bank of Cambodia	6	537,659,848	132,233,116	317,522,746	79,025,074	62,104,046	15,383,712
Balances with other banks – net	7	116,863,114	28,741,543	108,150,865	26,916,592	96,268,268	23,846,487
Loans to customers – net	8	2,481,706,377	610,355,725	1,914,009,982	476,358,881	1,279,814,355	317,021,143
Investment		60,990	15,000	60,270	15,000	60,555	15,000
Other assets		16,856,817	4,145,799	18,134,179	4,513,235	4,617,456	1,143,784
Property and equipment	9	8,730,628	2,147,228	6,544,540	1,628,805	7,500,097	1,857,839
Intangible assets	10	4,572,008	1,124,449	4,505,809	1,121,406	3,389,765	839,674
Right-of-use assets	11	18,402,427	4,525,929	18,384,941	4,575,645	18,473,235	4,575,981
Deferred tax assets – net	12(c)	9,207,921	2,264,614	7,581,894	1,886,982	4,404,378	1,091,003
<b>Total assets</b>		<b>3,236,871,691</b>	<b>796,082,562</b>	<b>2,443,914,619</b>	<b>608,241,568</b>	<b>1,494,833,711</b>	<b>370,283,307</b>

## LOLC (Cambodia) Plc.

### Condensed interim statement of financial position (continued) as at 30 June 2019

	Note	30 June 2019		31 December 2018		1 January 2018	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>LIABILITIES AND EQUITY</b>							
<b>Liabilities</b>							
Deposits from customers	13	1,436,848,279	353,381,279	951,905,926	236,910,385	370,736,597	91,834,678
Provision for employee benefits	14	2,657,036	653,477	4,323,740	1,076,093	-	-
Other liabilities		25,256,559	6,211,648	35,607,866	8,862,087	21,705,780	5,376,710
Borrowings	15	1,259,662,459	309,803,851	1,096,903,200	272,997,312	833,017,792	206,345,750
Debt securities issued	16	81,494,175	20,042,837	-	-	-	-
Current income tax liability	12(b)	15,279,489	3,757,867	20,523,933	5,107,997	13,836,836	3,427,505
Lease liabilities	17	17,150,224	4,217,960	16,891,194	4,203,881	16,418,402	4,066,981
<b>Total liabilities</b>		<b>2,838,348,221</b>	<b>698,068,919</b>	<b>2,126,155,859</b>	<b>529,157,755</b>	<b>1,255,715,407</b>	<b>311,051,624</b>
<b>Equity</b>							
Share capital	18	140,846,600	34,872,051	120,000,000	29,704,327	71,684,100	17,756,775
Advance capital contribution	19	21,640,400	5,351,724	20,846,600	5,154,946	-	-
General reserves	20(a)	110,415,116	27,306,514	110,415,116	27,306,514	7,168,410	1,775,677
Regulatory reserves	20(b)	10,960,577	2,713,896	8,384,769	2,075,371	4,632,244	1,147,447
Retained earnings		114,660,777	28,497,237	58,112,275	14,479,264	155,633,550	38,551,784
Currency translation difference		-	(727,779)	-	363,391	-	-
<b>Total equity</b>		<b>398,523,470</b>	<b>98,013,643</b>	<b>317,758,760</b>	<b>79,083,813</b>	<b>239,118,304</b>	<b>59,231,683</b>
<b>Total liabilities and equity</b>		<b>3,236,871,691</b>	<b>796,082,562</b>	<b>2,443,914,619</b>	<b>608,241,568</b>	<b>1,494,833,711</b>	<b>370,283,307</b>

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

## LOLC (Cambodia) Plc.

### Condensed interim statement of profit and loss and other comprehensive income for the six-month period ended 30 June 2019

	Note	For the three-month period ended 30 June 2019		For the three-month period ended 30 June 2018		For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
		KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)	KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)
Interest income	21	113,870,477	28,227,684	80,084,714	19,862,280	211,909,149	52,530,776	149,413,500	37,056,920
Interest expense	21	(56,492,712)	(14,004,143)	(24,357,598)	(6,041,071)	(91,954,076)	(22,794,764)	(56,311,763)	(13,966,211)
<b>Net interest income</b>		<b>57,377,765</b>	<b>14,223,541</b>	<b>55,727,116</b>	<b>13,821,209</b>	<b>119,955,073</b>	<b>29,736,012</b>	<b>93,101,737</b>	<b>23,090,709</b>
Allowances for bad and doubtful loans to customers	8	(4,562,876)	(1,131,105)	(3,480,401)	(863,195)	(9,453,038)	(2,343,341)	(8,487,139)	(2,104,945)
Allowance for impairment on balances with other banks	7	(68,633)	(17,014)	-	-	(73,721)	(18,275)	-	-
<b>Other operating income</b>		<b>52,746,256</b>	<b>13,075,422</b>	<b>52,246,715</b>	<b>12,958,014</b>	<b>110,428,314</b>	<b>27,374,396</b>	<b>84,614,598</b>	<b>20,985,764</b>
Operating income		17,025,589	4,220,523	8,780,663	2,177,744	32,828,513	8,137,956	15,794,100	3,917,188
Commission expenses		(904,285)	(224,166)	(610,388)	(151,386)	(1,788,801)	(443,431)	(1,163,947)	(288,677)
Personnel expenses	22	(23,971,200)	(5,942,291)	(18,168,561)	(4,506,092)	(45,304,846)	(11,230,750)	(35,190,719)	(8,727,857)
Depreciation and amortisation		(2,532,751)	(627,851)	(2,177,816)	(540,132)	(4,872,928)	(1,207,964)	(4,347,066)	(1,078,142)
General and administrative expenses	23	(8,793,459)	(2,179,836)	(6,392,893)	(1,585,539)	(16,181,358)	(4,011,244)	(12,489,090)	(3,097,493)
Net foreign exchange loss		948,276	235,071	(214,011)	(53,077)	895,389	221,961	123,584	30,651
<b>Profit before income tax</b>		<b>34,518,426</b>	<b>8,556,872</b>	<b>33,463,709</b>	<b>8,299,532</b>	<b>76,004,283</b>	<b>18,840,924</b>	<b>47,341,460</b>	<b>11,741,434</b>
Income tax expense	12(d)	(8,750,326)	(2,169,144)	(5,296,149)	(1,313,529)	(16,879,973)	(4,184,426)	(10,704,918)	(2,654,990)
<b>Net profit for the period</b>		<b>25,768,100</b>	<b>6,387,728</b>	<b>28,167,560</b>	<b>6,986,003</b>	<b>59,124,310</b>	<b>14,656,498</b>	<b>36,636,542</b>	<b>9,086,444</b>
<b>Other comprehensive income/(loss):</b>									
Currency translation difference		-	-	-	-	-	(1,091,180)	-	(448,364)
<b>Total comprehensive income for the period</b>		<b>25,768,100</b>	<b>6,387,728</b>	<b>28,167,560</b>	<b>6,986,003</b>	<b>59,124,310</b>	<b>13,565,318</b>	<b>36,636,542</b>	<b>8,638,080</b>

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 six-month period ended 30 June 2019

	Share capital		Advance capital contribution		General reserves		Regulatory reserves		Retained earnings		Currency translation difference		Total	
	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$
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	11,983,110	-	-	-	-	-	-	(48,315,900)	(11,983,110)	-	-	-	-
Transfer from regulatory reserves to retained earnings (Not reviewed)	-	-	-	-	-	-	(1,936,262)	(480,224)	1,936,262	480,224	-	-	-	-
<i>Comprehensive income:</i>														
Net profit for the period (Not reviewed)	-	-	-	-	-	-	-	-	36,636,542	9,086,444	-	-	36,636,542	9,086,444
Currency translation difference (Not reviewed)	-	-	-	-	-	-	-	-	-	-	-	(448,364)	-	(448,364)
	-	-	-	-	-	-	-	-	36,636,542	9,086,444	-	(448,364)	275,754,846	67,869,763
<b>Balance as at 30 June 2018 (Not reviewed)</b>	<b>120,000,000</b>	<b>29,739,885</b>	<b>-</b>	<b>-</b>	<b>7,168,410</b>	<b>1,775,677</b>	<b>2,695,982</b>	<b>667,223</b>	<b>145,890,454</b>	<b>36,135,342</b>	<b>-</b>	<b>-</b>	<b>275,754,846</b>	<b>67,869,763</b>
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	14,479,264	-	363,391	317,758,760	79,083,813
Transfer from advance capital contribution to share capital	20,846,600	5,167,724	(20,846,600)	(5,167,724)	-	-	-	-	-	-	-	-	-	-
Additional share capital issued	-	-	21,640,400	5,364,502	-	-	-	-	-	-	-	-	21,640,400	5,364,502
Transfer from retained earnings to regulatory reserves	-	-	-	-	-	-	2,575,808	638,525	(2,575,808)	(638,525)	-	-	-	-
<i>Comprehensive income:</i>														
Net profit for the period	-	-	-	-	-	-	-	-	59,124,310	14,656,498	-	-	59,124,310	14,656,498
Currency translation difference	-	-	-	-	-	-	-	-	-	-	-	(1,091,180)	-	(1,091,180)
	-	-	-	-	-	-	-	-	59,124,310	14,656,498	-	(1,091,180)	398,523,470	98,013,643
<b>Balance as at 30 June 2019</b>	<b>140,846,600</b>	<b>34,872,051</b>	<b>21,640,400</b>	<b>5,351,724</b>	<b>110,415,116</b>	<b>27,155,710</b>	<b>10,960,577</b>	<b>2,713,896</b>	<b>114,660,777</b>	<b>28,497,237</b>	<b>-</b>	<b>(727,779)</b>	<b>398,523,470</b>	<b>98,013,643</b>

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

## LOLC (Cambodia) Plc.

### Condensed interim statement of cash flows for the six-month period ended 30 June 2019

	Note	For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
		KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)
<b>Cash flows from operating activities</b>					
Net profit for the period		59,124,310	14,656,498	36,636,542	9,086,444
Adjustments for:					
Net interest income	21	(119,955,073)	(29,736,012)	(93,101,737)	(23,090,709)
Depreciation and amortisation		2,050,356	508,269	1,937,831	480,613
Depreciation on right-of-use assets	11	2,650,195	656,965	2,314,246	573,970
Income tax expense	12(d)	16,879,973	4,184,426	10,704,918	2,654,990
Provision for seniority indemnity		(1,666,704)	(413,164)	-	-
Gain on sale of property and equipment		(11,939)	(2,960)	(118,358)	(29,355)
Allowance for impairment on loans and advance	8	9,453,038	2,343,341	8,487,139	2,104,945
Impairment losses on balances with other banks		73,721	18,275	-	-
Cash used in operations		(31,229,747)	(7,741,631)	(33,044,430)	(8,195,543)
Changes in:					
Loans to customers		(577,148,573)	(143,071,039)	(333,874,027)	(82,806,058)
Balance with National Bank of Cambodia		(37,663,429)	(9,336,497)	(19,224,265)	(4,767,923)
Other assets		1,276,642	316,471	(7,141,671)	(1,771,248)
Deposits from customers		484,942,353	120,213,771	183,938,594	45,619,691
Other liabilities		(10,351,307)	(2,566,016)	2,143,414	531,601
Cash used in operations		(170,174,061)	(42,184,941)	(207,202,385)	(51,389,480)
Interest received		207,856,432	51,526,136	147,544,104	36,593,280
Interest paid		(87,095,496)	(21,590,356)	(55,401,962)	(13,740,566)
Income tax paid	12(b)	(23,750,444)	(5,887,567)	(15,249,239)	(3,782,053)
Net cash used in operating activities		(41,933,820)	(10,395,097)	(97,265,052)	(24,123,276)

## LOLC (Cambodia) Plc.

### Condensed interim statement of cash flows (continued) for the six-month period ended 30 June 2019

Note	For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
	KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)
<b>Cash flows from investing activities</b>				
Capital guaranteed deposit with the NBC	(2,084,660)	(516,772)	(4,831,590)	(1,198,311)
Proceeds from the sale of property and equipment	12,719	3,153	120,616	29,915
Acquisition of property and equipment	(4,238,785)	(1,050,765)	(959,252)	(237,910)
Acquisition of intangible assets	(238,575)	(59,141)	(210,052)	(52,096)
<b>Net cash used in investing activities</b>	<b>(6,549,301)</b>	<b>(1,623,525)</b>	<b>(5,880,278)</b>	<b>(1,458,402)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	319,829,618	79,283,495	379,862,765	94,211,995
Repayments of borrowings	(157,542,176)	(39,053,588)	(178,446,902)	(44,257,664)
Additional share capital	-	-	-	-
Proceeds from bond	81,494,175	20,201,828	-	-
Payment of lease liabilities	(2,727,612)	(676,156)	(2,285,767)	(566,906)
Advance capital contribution	21,640,400	5,364,502	-	-
<b>Net cash generated from financing activities</b>	<b>262,694,405</b>	<b>65,120,081</b>	<b>199,130,097</b>	<b>49,387,425</b>
<b>Net increase in cash and cash equivalents</b>	<b>182,981,537</b>	<b>45,359,827</b>	<b>62,940,337</b>	<b>15,610,204</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>369,337,050</b>	<b>91,970,396</b>	<b>126,552,514</b>	<b>31,348,158</b>
Currency translation difference	-	(1,442,721)	-	(319,708)
<b>Cash and cash equivalents at end of the period (Note 24)</b>	<b>552,518,587</b>	<b>135,887,503</b>	<b>189,492,851</b>	<b>46,638,653</b>

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 six-month period ended 30 June 2019

### 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 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 78 office locations (77 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 30 June 2019, the Company had 2,641 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 Standards (“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.

## **LOLC (Cambodia) Plc.**

### **Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019**

#### **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 27. 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 29 November 2019.

##### **(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 or 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.

# LOLC (Cambodia) Plc.

## Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

### 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.

# **LOLC (Cambodia) Plc.**

## **Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019**

### **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.

# LOLC (Cambodia) Plc.

## Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

### 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.

# LOLC (Cambodia) Plc.

## Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

### 3. Significant accounting policies (continued)

#### (a) Financial assets and financial liabilities (continued)

##### (ii) Classification (continued)

#### Financial assets (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.

# LOLC (Cambodia) Plc.

## Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

### 3. Significant accounting policies (continued)

#### (a) Financial assets and financial liabilities (continued)

##### (ii) Classification (continued)

##### Financial assets (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;

# LOLC (Cambodia) Plc.

## Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

### 3. Significant accounting policies (continued)

#### (a) Financial assets and financial liabilities (continued)

##### (ii). Classification (continued)

###### Financial assets (continued)

###### Non-recourse loans (continued)

The Company typically considers the following information when making this judgement:  
(continued)

- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- 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.

# LOLC (Cambodia) Plc.

## Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

### 3. Significant accounting policies (continued)

#### (a) Financial assets and financial liabilities (continued)

##### (iii) *Derecognition (continued)*

###### **Financial liabilities**

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

##### (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.

# LOLC (Cambodia) Plc.

## Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

### 3. Significant accounting policies (continued)

#### (a) Financial assets and financial liabilities (continued)

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

##### **Financial assets (continued)**

- 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.

##### **Financial liabilities**

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit and loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit and loss. For floating-rate financial liabilities, 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 and fees incurred are 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.

## **LOLC (Cambodia) Plc.**

### **Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019**

#### **3. Significant accounting policies (continued)**

##### **(a) Financial assets and financial liabilities (continued)**

###### *(vi) Fair value measurement (continued)*

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.

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.

## **LOLC (Cambodia) Plc.**

### **Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019**

#### **3. Significant accounting policies (continued)**

##### **(a) Financial assets and financial liabilities (continued)**

###### *(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.

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.

# LOLC (Cambodia) Plc.

## Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

### 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.

# LOLC (Cambodia) Plc.

## Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

### 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.

# LOLC (Cambodia) Plc.

## Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

### 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.

# LOLC (Cambodia) Plc.

## Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

### 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.

## **LOLC (Cambodia) Plc.**

### **Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019**

#### **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 allowance in accordance with the 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. Statutory deposits are stated at cost.

## **LOLC (Cambodia) Plc.**

### **Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019**

#### **3. Significant accounting policies (continued)**

##### **(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.

##### **(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.

# **LOLC (Cambodia) Plc.**

## **Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019**

### **3. Significant accounting policies (continued)**

#### **(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.

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.



## **LOLC (Cambodia) Plc.**

### **Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019**

#### **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.

## **LOLC (Cambodia) Plc.**

### **Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019**

#### **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.

# **LOLC (Cambodia) Plc.**

## **Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019**

### **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.

# LOLC (Cambodia) Plc.

## Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

### 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.

# **LOLC (Cambodia) Plc.**

## **Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019**

### **3. Significant accounting policies (continued)**

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

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.

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.

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 3. Significant accounting policies (continued)

##### (r) Income tax (continued)

###### Deferred tax (continued)

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.

#### 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
30 June 2019	US\$1	=	KHR4,066	KHR4,034
31 December 2018	US\$1	=	KHR4,018	KHR4,044
30 June 2018	US\$1	=	KHR4,063	KHR4,032
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.

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 5. Seasonality

The principal business of the Company are mainly to provide specialised banking 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

	30 June 2019		31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Current accounts	391,663,712	96,326,540	211,274,699	52,582,055
Capital guarantee (a)	14,084,660	3,464,009	12,000,000	2,986,561
Reserve requirement (b)	131,911,476	32,442,567	94,248,047	23,456,458
	<u>537,659,848</u>	<u>132,233,116</u>	<u>317,522,746</u>	<u>79,025,074</u>

##### (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).

#### 6. Balances with the National Bank of Cambodia (continued)

##### (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.

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 7. Balances with other banks – net

	30 June 2019		31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Current accounts	55,285,888	13,597,120	41,057,816	10,218,471
Saving accounts	62,757,661	15,434,742	68,185,482	16,970,006
	<u>118,043,549</u>	<u>29,031,862</u>	<u>109,243,298</u>	<u>27,188,477</u>
Less: Allowance for impairment losses	<u>(1,180,435)</u>	<u>(290,319)</u>	<u>(1,092,433)</u>	<u>(271,885)</u>
	<u><u>116,863,114</u></u>	<u><u>28,741,543</u></u>	<u><u>108,150,865</u></u>	<u><u>26,916,592</u></u>

Balances with other banks are analysed as follows:

	30 June 2019		31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>(a) By maturity:</b>				
Not later than 1 year	116,863,114	28,741,543	108,150,865	26,916,592
Later than 1 year and no later than 3 years	-	-	-	-
Later than 3 years and no later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
	<u>116,863,114</u>	<u>28,741,543</u>	<u>108,150,865</u>	<u>26,916,592</u>

#### (b) By interest rate (per annum):

	30 June 2019	31 December 2018
Current accounts	0%-1.75%	0%-1.75%
Saving accounts	0%-2.00%	0%-2.00%

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 8. Loans to customers – net

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Group loans:				
Fixed term	25,155,305	6,186,745	36,427,565	9,066,094
End of cycle	231,551,011	56,948,109	151,811,520	37,782,857
Individual loans:				
Fixed term	2,017,346,208	496,150,076	1,540,976,788	383,518,364
End of cycle	245,755,031	60,441,473	211,849,035	52,724,996
Staff loans	19,926,938	4,900,870	17,691,324	4,403,018
Gross loans	2,539,734,493	624,627,273	1,958,756,232	487,495,329
Interest receivables	22,312,538	5,487,589	20,760,093	5,166,773
Unearned processing fees	(40,267,716)	(9,903,521)	(32,925,499)	(8,194,500)
	2,521,779,315	621,002,529	1,946,590,826	484,467,602
Allowance for impairment on loans to customers	(40,072,938)	(9,855,617)	(30,080,465)	(7,486,427)
Loans to customers, net	2,481,706,377	610,355,725	1,914,009,982	476,358,881

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 8. Loans to customers – net (continued)

The gross movements of the allowance for the impairments on loans to customers are as follows:

	For the three-month period ended 30 June 2019		For the three-month period ended 30 June 2018		For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
			(Not reviewed)	(Not reviewed)			(Not reviewed)	(Not reviewed)
At beginning of the period	35,040,932	8,727,505	27,575,316	6,893,829	30,080,465	7,486,427	22,714,400	5,626,554
Allowance during the period	4,562,876	1,131,105	3,480,401	863,195	9,453,038	2,343,341	8,487,139	2,104,945
Loss on foreign exchange	469,130	115,380	224,912	55,356	539,435	133,722	79,090	19,466
Currency translation difference	-	(118,373)	-	(113,481)	-	(107,873)	-	(52,066)
At end of the period	<u>40,072,938</u>	<u>9,855,617</u>	<u>31,280,629</u>	<u>7,698,899</u>	<u>40,072,938</u>	<u>9,855,617</u>	<u>31,280,629</u>	<u>7,698,899</u>

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 8. Loans to customers – net (continued)

Loans to customers are analysed as follows:

	30 June 2019		31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(a) By maturity:				
Not later than 1 year	947,642,840	233,065,135	756,982,193	188,397,758
Later than 1 year and no later than 3 years	1,150,292,867	282,905,280	884,904,882	220,235,162
Later than 3 years and no later than 5 years	422,755,290	103,973,264	298,261,987	74,231,455
Later than 5 years	19,043,496	4,683,594	18,607,170	4,630,954
	<u>2,539,734,493</u>	<u>624,627,273</u>	<u>1,958,756,232</u>	<u>487,495,329</u>
(b) By industry:				
Trade and commerce	410,963,850	101,073,254	324,788,234	80,833,309
Services	390,281,841	95,986,680	278,768,720	69,379,970
Transportation	12,055,221	2,964,885	8,615,126	2,144,133
Agriculture	823,890,764	202,629,307	710,998,374	176,953,304
Construction	84,450,611	20,769,949	60,072,943	14,950,956
Other categories	818,092,206	201,203,198	575,512,835	143,233,657
	<u>2,539,734,493</u>	<u>624,627,273</u>	<u>1,958,756,232</u>	<u>487,495,329</u>
(c) By currency:				
KH Riels	517,791,438	127,346,640	376,639,934	93,738,162
US Dollars	1,867,422,284	459,277,492	1,468,871,736	365,572,856
TH Baht	154,520,771	38,003,141	113,244,562	28,184,311
	<u>2,539,734,493</u>	<u>624,627,273</u>	<u>1,958,756,232</u>	<u>487,495,329</u>
(d) By residency status:				
Residents	2,539,734,493	624,627,273	1,958,756,232	487,495,329
(e) By relationship:				
External customers	2,519,807,555	619,726,403	1,941,064,908	483,092,311
Staff loans	19,926,938	4,900,870	17,691,324	4,403,018
	<u>2,539,734,493</u>	<u>624,627,273</u>	<u>1,958,756,232</u>	<u>487,495,329</u>

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 8. Loans to customers – net (continued)

Loans to customers are analysed as follows: (continued)

	30 June 2019		31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(f) By exposure:				
Non-large exposures	-	-	-	-

A “large exposure” is defined under NBC’s Prakas as the overall gross exposure of the aggregate balance of loans to customers with one single beneficiary, which exceeds 10% of the Bank’s net worth. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

(g) By interest rate (per month):	30 June 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 six-month period ended 30 June 2019, the Company acquired the property and equipment amounting to KHR4,237,975 thousand and depreciation expense amounting to KHR2,050,355 thousand was charged to profit and loss. Additionally, the Company disposed fully-depreciated property and equipment with original cost of KHR155,045 thousand.

#### 10. Intangible assets

During the six-month period ended 30 June 2019, the Company acquired the intangible assets amounting to KHR238,575 thousand and amortisation expense amounting to KHR172,377 thousand was charged to profit and loss.

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 11. Right-of-use assets

	30 June 2019		31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Right-of-use assets	18,402,427	4,525,929	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:

	For the three-month period ended 30 June 2019		For the three-month period ended 30 June 2018		For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
	KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)	KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)
At beginning of the period	18,654,280	6,177,344	17,328,445	4,575,981	18,384,941	4,575,645	18,473,235	4,575,981
Addition	1,100,480	270,654	1,628,339	403,854	2,580,734	634,711	1,628,339	403,854
Depreciation charge	(1,352,333)	(1,862,989)	(1,169,456)	(573,970)	(2,650,195)	(656,965)	(2,314,246)	(573,970)
Foreign change difference	-	-	-	-	86,947	26,442	-	-
Currency translation difference	-	(59,080)	-	(27,985)	-	(53,904)	-	(27,985)
At end of the period	18,402,427	4,525,929	17,787,328	4,377,880	18,402,427	4,525,929	17,787,328	4,377,880

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 12. Taxation

##### (a) Applicable tax rate

In accordance with Cambodian Law on Taxation, the Company has an obligation to pay corporate tax on income at the rate of 20%.

##### (b) Current income tax liability

	For the three-month period ended 30 June 2019		For the three-month period ended 30 June 2018		For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
	KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)	KHR'000 (Note 4)	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)
At beginning of the period	7,006,629	1,743,810	5,992,542	1,484,405	20,523,933	5,107,997	13,836,836	3,427,505
Current income tax expense	9,939,931	2,464,039	6,449,770	1,599,645	18,506,001	4,551,403	12,442,312	3,062,346
Income tax paid	(1,667,071)	(413,255)	(1,412,403)	(350,297)	(23,750,445)	(5,841,231)	(15,249,239)	(3,753,197)
Currency translation difference	-	(36,727)	-	(19,033)	-	(60,302)	-	(21,934)
At end of the period	<u>15,279,489</u>	<u>3,757,867</u>	<u>11,029,909</u>	<u>2,714,720</u>	<u>15,279,489</u>	<u>3,757,867</u>	<u>11,029,909</u>	<u>2,714,720</u>

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 12. Taxation (continued)

##### (c) Deferred tax assets - net

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

	For the three-month period ended 30 June 2019		For the three-month period ended 30 June 2018		For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
	KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Not reviewed)	KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)
At beginning of the period	8,018,317	1,997,091	4,988,150	1,247,039	7,581,894	1,886,982	4,404,378	1,091,003
Credited to profit and loss	1,189,604	292,574	1,153,621	283,933	1,626,027	399,909	1,737,392	403,901
Currency translation difference	-	(25,051)	-	(19,337)	-	(22,277)	-	(16,731)
At end of the period	<u>9,207,921</u>	<u>2,264,614</u>	<u>6,141,771</u>	<u>1,511,635</u>	<u>9,207,921</u>	<u>2,264,614</u>	<u>6,141,770</u>	<u>1,511,635</u>

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

	30 June 2019		30 June 2018	
	KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)
Provision	8,499,838	2,090,467	5,421,807	1,334,435
Depreciation	209,863	51,614	204,021	50,214
Deferred income	498,220	122,533	515,943	126,986
	<u>9,207,921</u>	<u>2,264,614</u>	<u>6,141,771</u>	<u>1,511,635</u>

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 12. Taxation (continued)

##### (d) Income tax expense

	For the three-month period ended 30 June 2019		For the three-month period ended 30 June 2018		For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4) (Not reviewed)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4) (Not reviewed)
Current income tax	9,939,931	2,464,039	6,449,770	1,599,645	18,506,001	4,587,507	12,442,310	3,085,891
Deferred tax	(1,189,605)	(294,895)	(1,153,621)	(286,116)	(1,626,028)	(403,081)	(1,737,392)	(430,901)
	<u>8,750,326</u>	<u>2,169,144</u>	<u>5,296,149</u>	<u>1,313,529</u>	<u>16,879,973</u>	<u>4,184,426</u>	<u>10,704,918</u>	<u>2,654,990</u>

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 13. Deposits from customers

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Savings deposits	174,642,850	42,952,005	99,881,780	24,858,582
Term deposits	1,237,553,396	304,366,304	835,202,484	207,865,227
	<u>1,412,196,246</u>	<u>347,318,309</u>	<u>935,084,264</u>	<u>232,723,809</u>
Interest payable	<u>24,652,033</u>	<u>6,062,970</u>	<u>16,821,662</u>	<u>4,186,576</u>
	<u>1,436,848,279</u>	<u>353,381,279</u>	<u>951,905,926</u>	<u>236,910,385</u>

Deposits from customers are analysed as follows:

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>(a) By maturity:</b>				
Within 1 month	238,714,236	58,709,847	135,038,615	33,608,416
2 to 3 months	223,236,542	54,903,232	129,151,565	32,143,247
4 - 12 months	677,408,321	166,603,129	500,800,338	124,639,209
Over 12 months	272,837,147	67,102,101	170,093,746	42,332,937
	<u>1,412,196,246</u>	<u>347,318,309</u>	<u>935,084,264</u>	<u>232,723,809</u>
<b>(b) By interest rate (per annum)</b>				
Savings deposits		1.00% – 5.00%		5.00%
Fixed deposit		<u>3.00% – 9.00%</u>		<u>3.25% – 12.00%</u>

#### 14. Provision for employee benefits

	30 June 2019		31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Seniority indemnity	<u>2,657,036</u>	<u>653,477</u>	<u>4,323,740</u>	<u>1,076,093</u>

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.

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 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.

	30 June 2019		31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Borrowings (*)	1,246,103,086	306,469,032	1,085,859,000	270,248,631
Interest payable	13,559,373	3,334,819	11,044,200	2,748,681
	<u>1,259,662,459</u>	<u>309,803,851</u>	<u>1,096,903,200</u>	<u>272,997,312</u>

(\*) It included the subordinated debts of KHR78.06 billion (equivalent to US\$19.20 million) (31 December 2018: KHR83.57 billion, equivalent to US\$20.8 million) approved by the NBC.

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

	For the three-month period ended 30 June 2019		For the three-month period ended 30 June 2018		For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At beginning	1,174,646,553	292,564,521	946,495,163	236,623,791	1,096,903,200	272,997,312	833,017,792	206,345,750
Additional borrowings	162,552,779	40,044,206	219,549,222	54,120,597	306,742,06	76,039,182	366,601,002	90,922,868
Accrued interest payables	13,559,373	3,340,296	11,044,200	2,722,482	13,559,373	3,334,819	11,044,200	2,718,238
Repayment during the period	(91,096,246)	(22,441,184)	(144,872,493)	(35,712,200)	(157,542,176)	(39,053,588)	(178,446,902)	(44,257,664)
Currency translation difference	-	(3,703,988)	-	(3,701,977)	-	(3,513,874)	-	(1,676,499)
At end of the period	<u>1,259,662,459</u>	<u>309,803,851</u>	<u>1,032,216,092</u>	<u>254,052,693</u>	<u>1,259,662,459</u>	<u>309,803,851</u>	<u>1,032,216,092</u>	<u>254,052,693</u>

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 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

	30 June 2019		31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>Present value of lease liabilities</b>				
Current	4,399,330	1,081,980	3,593,376	894,320
Non-current	17,150,224	3,135,980	13,297,818	3,309,561
	<u>17,150,224</u>	<u>4,217,960</u>	<u>16,891,194</u>	<u>4,203,881</u>
Less than one year	5,752,567	1,414,798	5,905,773	1,469,829
One to five years	12,774,883	3,141,880	14,586,239	3,630,224
More than five years	4,400,144	1,082,180	3,927,173	977,395
<b>Total undiscounted lease liabilities</b>	<u>22,927,594</u>	<u>5,638,858</u>	<u>24,419,185</u>	<u>6,077,448</u>

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

	For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
	KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)
Interest on lease liabilities	<u>680,944</u>	<u>168,801</u>	<u>627,654</u>	<u>155,206</u>
	For the three-month period ended 30 June 2019		For the three-month period ended 30 June 2018	
	KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)
Interest on lease liabilities	<u>346,372</u>	<u>85,863</u>	<u>314,579</u>	<u>77,789</u>

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 17. Lease liabilities (continued)

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

	For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
	KHR'000 Note 4	US\$	KHR'000 Note 4	US\$
Total cash outflow for leases	2,727,612	676,156	2,292,570	566,906

#### 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 30 June 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%	1,365,792	136,579,200	96.97%	1,163,642	116,364,200
TPC-ESOP Co., Ltd.	3.03%	42,674	4,267,400	3.03%	36,358	3,635,800
	<u>100.00%</u>	<u>1,408,466</u>	<u>140,846,600</u>	<u>100.00%</u>	<u>1,200,000</u>	<u>120,000,000</u>
US\$ equivalents – Note 4			<u>34,872,051</u>			<u>29,704,327</u>

#### 19. Advance capital contribution

On 22 February 2019, the Company transferred the advance capital contribution amounting to KHR20,846,600 thousand to share capital.

On 3 June 2019, the Board of Directors approved to increase the registered capital to KHR182,612,000 thousand via cash capital injection from LOLC Private Limited and TPC-ESOP Co., Ltd., amounting to KHR40,500,000 thousand and KHR1,265,400 thousand, respectively.

During the period, the Company has received share subscription from LOLC Private Limited and TPC-ESOP Co., Ltd., amounting to KHR20,375,000 thousand and KHR1,265,400 thousand, respectively. Additionally, on 8 July 2019, the Company received the remaining cash capital injection from LOLC Private Limited amounting to KHR20,375,000 thousand. As of the date of these condensed interim financial statements, the Company is waiting for the approval from the NBC and the endorsement on the revised Memorandum and Articles of Association (“MoAA”) by the Ministry of Commerce (“MoC”).

## **LOLC (Cambodia) Plc.**

### **Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019**

#### **20. General reserves and regulatory reserves**

##### **(a) General reserves**

The Company transferred its retained earnings amounting to KHR103,246,706,000 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 six-month period ended 30 June 2019, the Company transferred the retained earnings amounting to KHR10,960,576,620 to regulatory reserves.

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 21. Interest income

Interest income was made from the following sources:

	For the three-month period ended				For the six-month period ended			
	30 June 2019		30 June 2018		30 June 2019		30 June 2018	
	KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)	KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)
Interest income from								
Loans to customers	113,447,210	28,122,759	79,848,207	19,803,623	211,241,836	52,365,354	148,948,940	36,941,702
Placements with banks	<u>423,267</u>	<u>104,925</u>	<u>236,507</u>	<u>58,657</u>	<u>667,313</u>	<u>165,422</u>	<u>464,560</u>	<u>115,218</u>
	<u>113,870,477</u>	<u>28,227,684</u>	<u>80,084,714</u>	<u>19,862,280</u>	<u>211,909,149</u>	<u>52,530,776</u>	<u>149,413,500</u>	<u>37,056,920</u>
Interest expense on								
Customers' deposits	22,400,969	5,553,041	8,964,541	2,223,348	40,200,421	9,965,399	15,875,603	3,937,402
Borrowings	32,534,417	8,065,051	15,078,478	3,739,702	49,861,757	12,360,377	39,808,506	9,873,141
Debt securities issued	1,210,954	300,187	-	-	1,210,954	300,187	-	-
Lease liabilities	<u>346,372</u>	<u>85,864</u>	<u>314,579</u>	<u>78,021</u>	<u>680,944</u>	<u>168,801</u>	<u>627,654</u>	<u>155,668</u>
	<u>56,492,712</u>	<u>14,004,143</u>	<u>24,357,598</u>	<u>6,041,071</u>	<u>91,954,076</u>	<u>22,794,764</u>	<u>56,311,763</u>	<u>13,966,211</u>
Net interest income	<u>57,377,765</u>	<u>14,223,542</u>	<u>55,727,116</u>	<u>13,821,209</u>	<u>119,955,073</u>	<u>29,736,012</u>	<u>93,101,737</u>	<u>23,090,709</u>

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 22. Personnel expenses

	For the three-month period ended 30 June 2019		For the three-month period ended 30 June 2018		For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
	KHR'000	US\$ (Note 4)	KHR'000  (Not reviewed)	US\$ (Note 4) (Not reviewed)	KHR'000	US\$ (Note 4)	KHR'000  (Not reviewed)	US\$ (Note 4) (Not reviewed)
Salaries and wages	21,901,457	5,429,216	16,285,823	4,039,143	41,100,264	10,188,464	31,251,370	7,750,836
Other short-term benefits	<u>2,069,743</u>	<u>513,075</u>	<u>1,882,738</u>	<u>466,949</u>	<u>4,204,582</u>	<u>1,042,286</u>	<u>3,939,349</u>	<u>977,021</u>
	<u>23,971,200</u>	<u>5,942,291</u>	<u>18,168,561</u>	<u>4,506,092</u>	<u>45,304,846</u>	<u>11,230,750</u>	<u>35,190,719</u>	<u>8,727,857</u>

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 23. General and administrative expenses

	For the three-month period ended 30 June 2019		For the three-month period ended 30 June 2018		For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
	KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)	KHR'000 (Note 4)	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)
Advertising	443,548	109,952	138,174	34,269	730,754	181,149	254,542	63,130
Professional fees	928,869	230,260	668,358	165,763	1,403,959	348,031	1,240,497	307,663
Repairs and maintenance	142,495	35,324	75,304	18,677	217,511	53,919	129,000	31,994
Vehicle expenses	921,825	228,514	878,132	217,791	1,748,726	433,497	1,760,190	436,555
Office supplies and stationery	538,487	133,487	391,174	97,017	1,053,193	261,079	793,060	196,691
Communication	382,777	94,888	305,541	75,779	743,987	184,429	606,994	150,544
Utilities	384,241	95,251	341,611	84,725	756,759	187,595	644,815	159,924
Rental	615,234	152,512	365,266	90,592	1,587,286	393,477	960,183	238,141
Business meal and entertainment	-	-	-	-	-	-	-	-
Security guard	288,991	71,639	263,754	65,415	572,887	142,015	517,526	128,355
Insurance	1,042,867	258,519	334,851	83,048	1,860,760	461,269	549,218	136,215
BOD expenses	170,078	42,161	128,451	31,858	339,243	84,096	239,600	59,425
Charitable contributions	55,779	13,827	41,240	10,228	90,105	22,336	62,691	15,548
Others	2,878,268	713,502	2,461,037	610,377	5,076,188	1,258,352	4,730,774	1,173,308
	<u>8,793,459</u>	<u>2,179,836</u>	<u>6,392,893</u>	<u>1,585,539</u>	<u>16,181,358</u>	<u>4,011,244</u>	<u>12,489,090</u>	<u>3,097,493</u>

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 24. Cash and cash equivalents

		As at 30 June 2019		As at 30 June 2018	
	Note	KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)
Cash on hand		42,811,561	10,529,159	46,418,245	11,424,623
Balances with NBC	6	118,043,549	29,031,862	41,145,209	10,126,805
Balances with other banks	7	391,663,712	96,326,482	101,929,397	25,087,225
		<u>552,518,822</u>	<u>135,887,503</u>	<u>189,492,851</u>	<u>46,638,653</u>

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 25. Related party transactions and balances

	For the three-month period ended 30 June 2019		For the three-month period ended 30 June 2018		For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>(a) Board of Directors' fee</b>								
Board fees	170,078	41,301	128,452	31,184	339,243	83,434	239,600	58,971
<b>(b) Key management personnel</b>								
Salaries and short-term benefit expense	1,578,995	386,609	356,332	83,884	2,133,589	524,739	1,341,205	330,102
<b>(c) Loans to:</b>								
	As at 30 June 2019		As at 31 December 2018					
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)				
<b>Loan to shareholders</b>								
Loan outstanding	127,404	31,334	136,647	34,009				
Accrued interest receivable	127	31	182	45				
	<u>127,531</u>	<u>31,365</u>	<u>136,829</u>	<u>34,054</u>				
<b>Loan to key management</b>								
Loan outstanding	148,444	36,509	-	-				
Accrued interest receivable	148	37	-	-				
	<u>148,593</u>	<u>36,545</u>	<u>-</u>	<u>-</u>				

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 25. Related party transactions and balances (continued)

	For the three-month period ended 30 June 2019		For the three-month period ended 30 June 2018		For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
	KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)	KHR'000	US\$ (Note 4)	KHR'000 (Not reviewed)	US\$ (Note 4) (Not reviewed)
<b>(d) Interest income</b>								
Shareholders	4,073	989	5,675	1,383	8,120	1,997	9,203	2,265
Key managements	4,924	1,206	-	-	6,500	1,599	-	-
	<u>8,997</u>	<u>2,195</u>	<u>5,675</u>	<u>1,383</u>	<u>14,620</u>	<u>3,596</u>	<u>9,203</u>	<u>2,265</u>

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 25. Related party transactions and balances (continued)

##### (e) Deposits from related parties

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>Shareholders:</b>				
Deposit outstanding	228,443	56,184	294,793	73,368
Accrued interest payable	3,467	853	8,678	2,160
	<u>231,910</u>	<u>57,037</u>	<u>303,471</u>	<u>75,528</u>
<b>Board of Directors:</b>				
Deposit outstanding	551,012	135,517	589,058	146,605
Accrued interest payable	15,364	3,779	15,670	3,900
	<u>566,376</u>	<u>139,296</u>	<u>604,728</u>	<u>150,505</u>
<b>Key management:</b>				
Deposit outstanding	1,894,895	466,034	2,513,161	625,476
Accrued interest payable	7,729	1,901	29,448	7,329
	<u>1,902,624</u>	<u>467,935</u>	<u>2,542,609</u>	<u>632,805</u>

	For the six-month period ended			
	30 June 2019		30 June 2018 (Not reviewed)	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>Interest expenses in respect of deposit from related parties:</b>				
Shareholders	4,907	1,207	31,151	7,667
Board of Directors	15,895	3,909	69,190	17,029
Key management	43,117	10,604	159,420	39,237
	<u>63,919</u>	<u>15,720</u>	<u>259,761</u>	<u>63,933</u>

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

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Deposit outstanding	<u>160,497</u>	<u>39,473</u>	<u>825,656</u>	<u>205,489</u>

## **LOLC (Cambodia) Plc.**

### **Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019**

#### **26. 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.

#### **27. 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 six-month period ended 30 June 2019, the comparative information presented in these condensed interim financial statements for the six-month period ended 30 June 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.

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 27. Explanation of transition to CIFRS (continued)

##### Reconciliation of equity

	1 January 2018			30 June 2018			31 December 2018		
	GAAP	Effect of transition	CIFRS	GAAP	Effect of transition	CIFRS	GAAP	Effect of transition	CIFRS
	KHR'000								
				(Not reviewed)	(Not reviewed)	(Not reviewed)			
<b>ASSETS</b>									
Cash on hand	18,201,556	-	18,201,556	46,418,245	-	46,418,245	49,019,393	-	49,019,393
Balances with National Bank of Cambodia	62,103,582	464	62,104,046	109,081,400	394	109,081,794	317,522,406	340	317,522,746
Balances with other banks – net	95,936,028	332,240	96,268,268	106,804,997	449,223	107,254,220	108,150,865	-	108,150,865
Loans to customers – net	1,283,839,747	(4,025,392)	1,279,814,355	1,613,301,865	(8,100,622)	1,605,201,243	1,928,675,767	(14,665,785)	1,914,009,982
Investment	60,555	-	60,555	60,945	-	60,945	60,270	-	60,270
Other assets	23,979,172	(19,361,717)	4,617,456	34,540,947	(22,782,209)	11,758,737	44,105,879	(25,971,700)	18,134,179
Property and equipment	7,500,097	-	7,500,097	6,517,257	-	6,517,257	6,544,540	-	6,544,540
Intangible assets	3,389,765	-	3,389,765	3,504,829	-	3,504,829	4,505,809	-	4,505,809
Right-of-use assets	-	18,473,235	18,473,235	-	17,787,328	17,787,328	-	18,384,941	18,384,941
Deferred tax assets – net	4,404,378	-	4,404,378	6,141,772	-	6,141,772	7,581,894	-	7,581,894
<b>Total assets</b>	<b>1,499,414,881</b>	<b>(4,581,170)</b>	<b>1,494,833,711</b>	<b>1,926,372,257</b>	<b>(12,645,886)</b>	<b>1,913,726,370</b>	<b>2,466,166,823</b>	<b>(22,252,204)</b>	<b>2,443,914,619</b>

# LOLC (Cambodia) Plc.

## Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

### 27. Explanation of transition to CIFRS (continued)

Reconciliation of equity (continued)

	1 January 2018			30 June 2018			31 December 2018		
	GAAP KHR'000	Effect of transition to CIFRS KHR'000	CIFRS KHR'000	GAAP KHR'000 (Not reviewed)	Effect of transition to CIFRS KHR'000 (Not reviewed)	CIFRS KHR'000 (Not reviewed)	GAAP KHR'000	Effect of transition to CIFRS KHR'000	CIFRS KHR'000
<b>LIABILITIES</b>									
Deposits from banks and other financial institutions	42,003,796	(42,003,796)	-	56,025,838	(56,025,838)	-	76,466,224	(76,466,224)	-
Deposits from customers	322,595,429	48,141,168	370,736,597	489,771,891	64,903,300	554,675,191	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	43,770,856	(19,921,662)	23,849,194	64,295,429	(28,687,563)	35,607,866
Current income tax payables	13,836,836	-	13,836,836	11,029,909	-	11,029,909	20,523,933	-	20,523,933
Borrowings	830,971,898	2,045,894	833,017,792	1,032,387,761	(171,669)	1,032,216,092	1,088,456,511	8,446,689	1,096,903,200
Debt securities issued	-	-	-	-	-	-	-	-	-
Lease liabilities	-	16,418,402	16,418,402	-	16,201,138	16,201,138	-	16,891,194	16,891,194
<b>Total liabilities</b>	<b>1,247,808,935</b>	<b>7,906,472</b>	<b>1,255,715,407</b>	<b>1,632,986,256</b>	<b>4,985,269</b>	<b>1,637,971,524</b>	<b>2,112,683,877</b>	<b>13,471,982</b>	<b>2,126,155,859</b>
<b>EQUITY</b>									
Share capital	71,684,100	-	71,684,100	120,000,000	-	120,000,000	120,000,000	-	120,000,000
Advance capital contribution	-	-	-	-	-	-	20,846,600	-	20,846,600
General reserves	7,168,410	-	7,168,410	7,168,410	-	7,168,410	110,415,116	-	110,415,116
Regulatory reserves	-	4,632,244	4,632,244	-	2,695,982	2,695,982	-	8,384,769	8,384,769
Retained earnings	172,753,436	(17,119,886)	155,633,550	166,217,591	(20,327,137)	145,890,454	102,221,230	(44,108,955)	58,112,275
<b>Total equity</b>	<b>251,605,945</b>	<b>(12,487,642)</b>	<b>239,118,304</b>	<b>293,386,001</b>	<b>(17,631,155)</b>	<b>275,754,846</b>	<b>353,482,946</b>	<b>(35,724,186)</b>	<b>317,758,760</b>
<b>Total liabilities and equity</b>	<b>1,499,414,881</b>	<b>(4,581,170)</b>	<b>1,494,833,711</b>	<b>1,926,372,257</b>	<b>(12,645,886)</b>	<b>1,913,726,370</b>	<b>2,466,166,823</b>	<b>(22,252,204)</b>	<b>2,443,914,619</b>

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 27. Explanation of transition to CIFRS (continued)

Reconciliation of comprehensive income for the six-month period ended 30 June 2018:

	GAAP KHR'000 (Not reviewed)	Effect of transition to CIFRS KHR'000 (Not reviewed)	CIFRS KHR'000 (Not reviewed)
Interest income	136,421,121	12,992,379	149,413,500
Interest expense	(54,604,311)	(1,707,452)	(56,311,763)
<b>Net interest income</b>	<u>81,816,810</u>	<u>11,284,927</u>	<u>93,101,737</u>
Allowances for bad and doubtful loans to customers	(8,487,139)	-	(8,487,139)
Regulatory provision	-	-	-
	<u>(8,487,139)</u>	<u>-</u>	<u>(8,487,139)</u>
Other operating income	<u>73,329,671</u>	<u>11,284,927</u>	<u>84,614,598</u>
Operating income	34,614,191	(18,820,091)	15,794,100
Commission expenses	(1,163,947)	-	(1,163,947)
Personnel expenses	(35,190,719)	-	(35,190,719)
Depreciation and amortisation	(2,032,820)	(2,314,246)	(4,347,066)
General and administrative expenses	(17,194,987)	4,705,897	(12,489,090)
Net foreign exchange loss	<u>123,584</u>	<u>-</u>	<u>123,584</u>
<b>Profit before income tax</b>	<u>52,484,973</u>	<u>(5,143,513)</u>	<u>47,341,461</u>
Income tax expense	(10,704,918)	-	(10,704,918)
<b>Net profit for the period</b>	<u><u>41,780,055</u></u>	<u><u>(5,143,513)</u></u>	<u><u>36,636,543</u></u>

## LOLC (Cambodia) Plc.

### Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

#### 27. 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)
<b>Net interest income</b>	165,840,476	10,452,298	176,292,774
Allowances for bad and doubtful loans to customers	(16,066,592)	-	(16,066,592)
Allowance for impairment on balances with other banks	(1,092,433)	-	(1,092,433)
	(17,159,025)	10,452,298	(17,159,025)
Other operating income	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)
<b>Profit before income tax</b>	101,778,322	(23,236,544)	78,541,778
Income tax expense	(20,747,922)	-	(20,747,922)
<b>Net profit for the year</b>	81,030,400	(23,236,544)	57,793,856

## **LOLC (Cambodia) Plc.**

### **Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019**

#### **28. 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.