



LBP MICROFINANCE PCL

# ANNUAL REPORT

# 2018



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# 1. MESSAGE FROM MANAGEMENT TEAM



**LBP MICROFINANCE PLC** received a license from the National Bank of Cambodia in August 2016 as a microfinance institution. Our main mission is to provide Cambodian entrepreneurs with sufficient funding to invest in their businesses. We constantly attempt to offer our customers with the best services, competitive interest rates and affordable loan terms to make our customers feel satisfied.

We have a robust funding and qualified key management team with expertise, knowledge, and years of experience in the financial sector that ensure the sustainability and growth of LBP. Furthermore, we invest in an automated Loans Management

System that can ensure corporate and consumer information security. This system also performs an important role in managing data, reporting, and encouraging rapid and reliable customer service.

We conjointly collaborate with WING (Cambodia) Limited Specialized Bank, Truemoney (Cambodia) Limited and Viettel (Cambodia) PTE (eMoney) that permits all LBP customers to repay back their loan through mobile phones or agents of the three companies anywhere in Cambodia. Making it very convenient and minimizing other risk for customers of LBP.

On behalf of the management of LBP Microfinance, we intend to take this

opportunity to show our profound gratitude to our shareholders, board members, staffs, partners, and customers who have supported our institution from inception to the present day. We would also like to express our special thanks to the National Bank of Cambodia for licensing LBP as a microfinance institution, and we strongly believe that LBP will be a part of helping the Government to develop Cambodia's economy through providing loans to all small and medium entrepreneurs. We will committed and strive to develop our loan products well and respond to the needs of all Cambodian entrepreneurs with transparency and honesty.

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Mr. Lay Bunnath  
Managing Director

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Mr. Muong Sambath  
CEO

## 2. ABOUT US

### LBP PROFILE

LBP MICROFINANCE Plc. is a public limited company that was established and funded by two local Cambodians, Lok Onkha Lay Bun Pa and Lok Jumteav Lay Chunny. LBP MICROFINANCE Plc. formally received its operating license from the National Bank of Cambodia on the 31st August 2016.

LBP MICROFINANCE Plc. is a private institution that provides financial services to Cambodian entrepreneurs and SMEs with a competitive interest rate and flexible loan terms to ensure the best deals to its customers. Furthermore it aims to improve the living standard of Cambodians in a sustainable manner.

### OUR VISION

Contribute and support the Government of Cambodia objective of reducing poverty and empowering entrepreneurs to achieve their full potential through financial services that is transparent, responsible, sustainable and of high excellences.

### OUR MISSION

- To provide financial services to the citizens of Cambodia and aspiring entrepreneurs via sustainable loan rates with excellent quality of services in a responsible manner.
- To provide effective and efficient financial services to individuals and corporations.



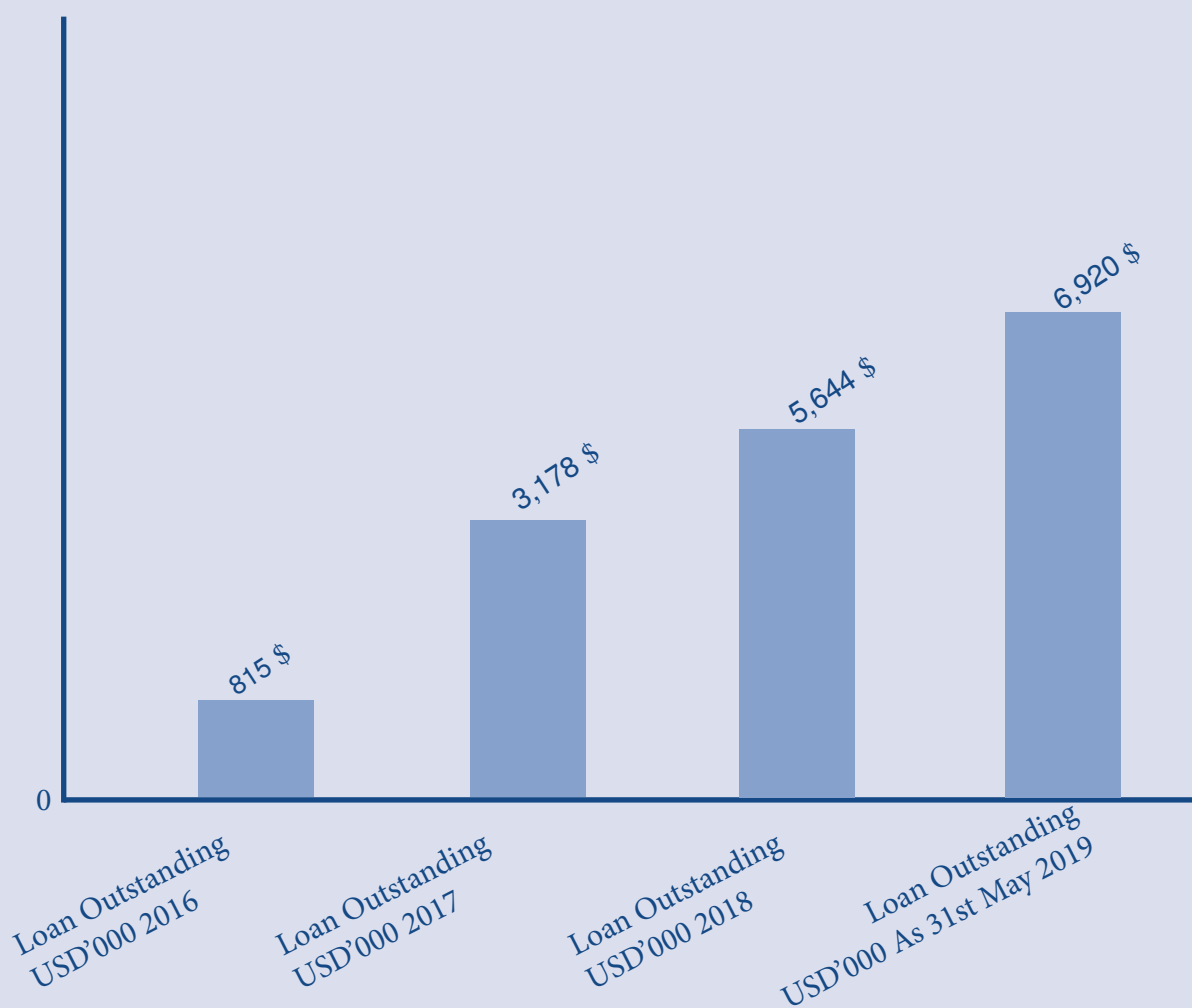
## OUR CORE VALUE

- **Honesty:** We are committed to providing our customers, products and services with integrity, honesty, and the highest level of ethics.
- **Responsibility:** We are committed to providing products and services with total professionalism and responsibility that fits our customers every needs and demands.

- **Respect:** We consider our customers, staffs, and all related parties as assets of our company. They deserve our full valued attention and respect with no room for discrimination.
- **Priority:** We are committed to providing the best service that go above and beyond our customer needs. Our customers are our greatest priority.

# 3. OUR RESULT

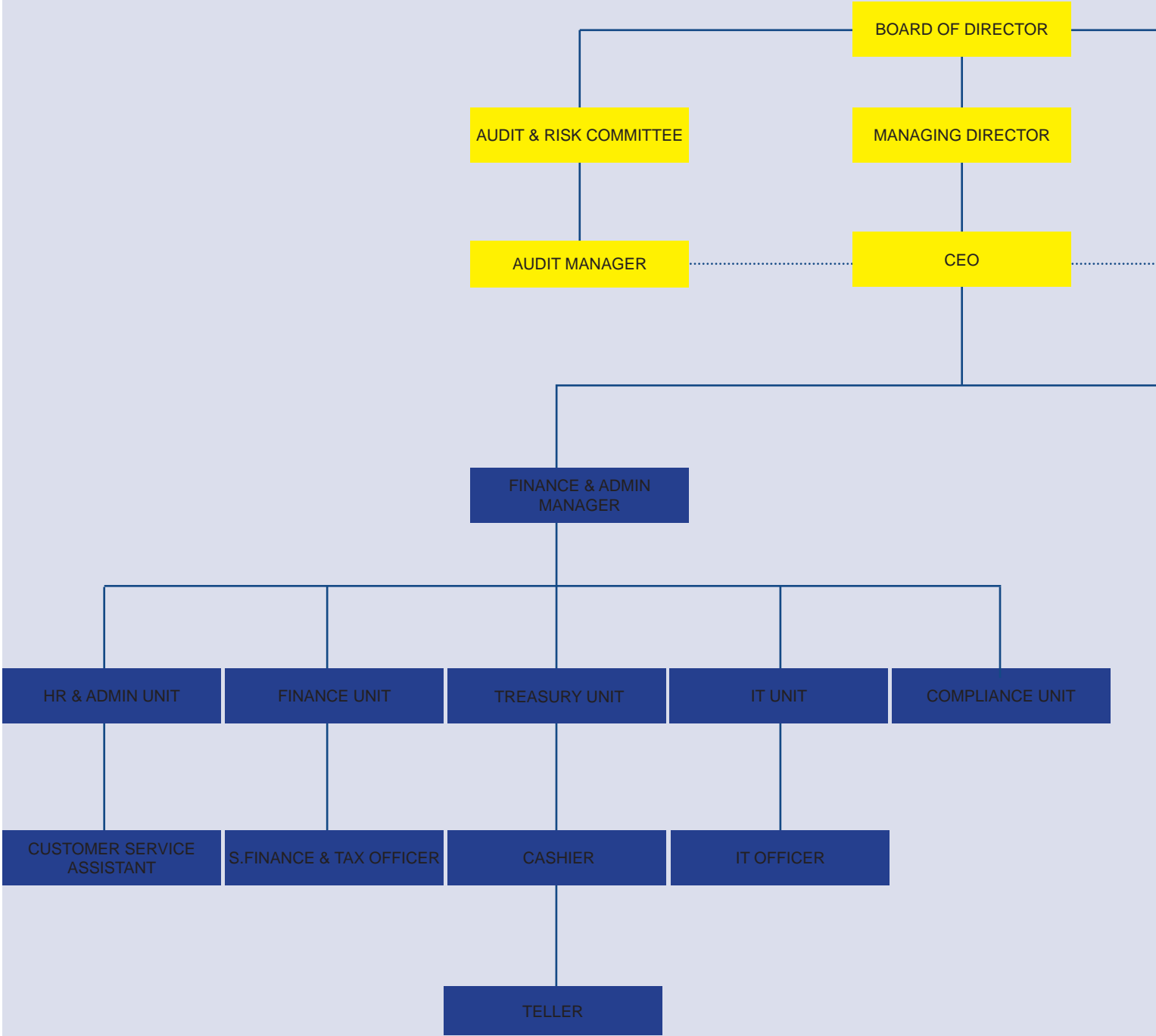


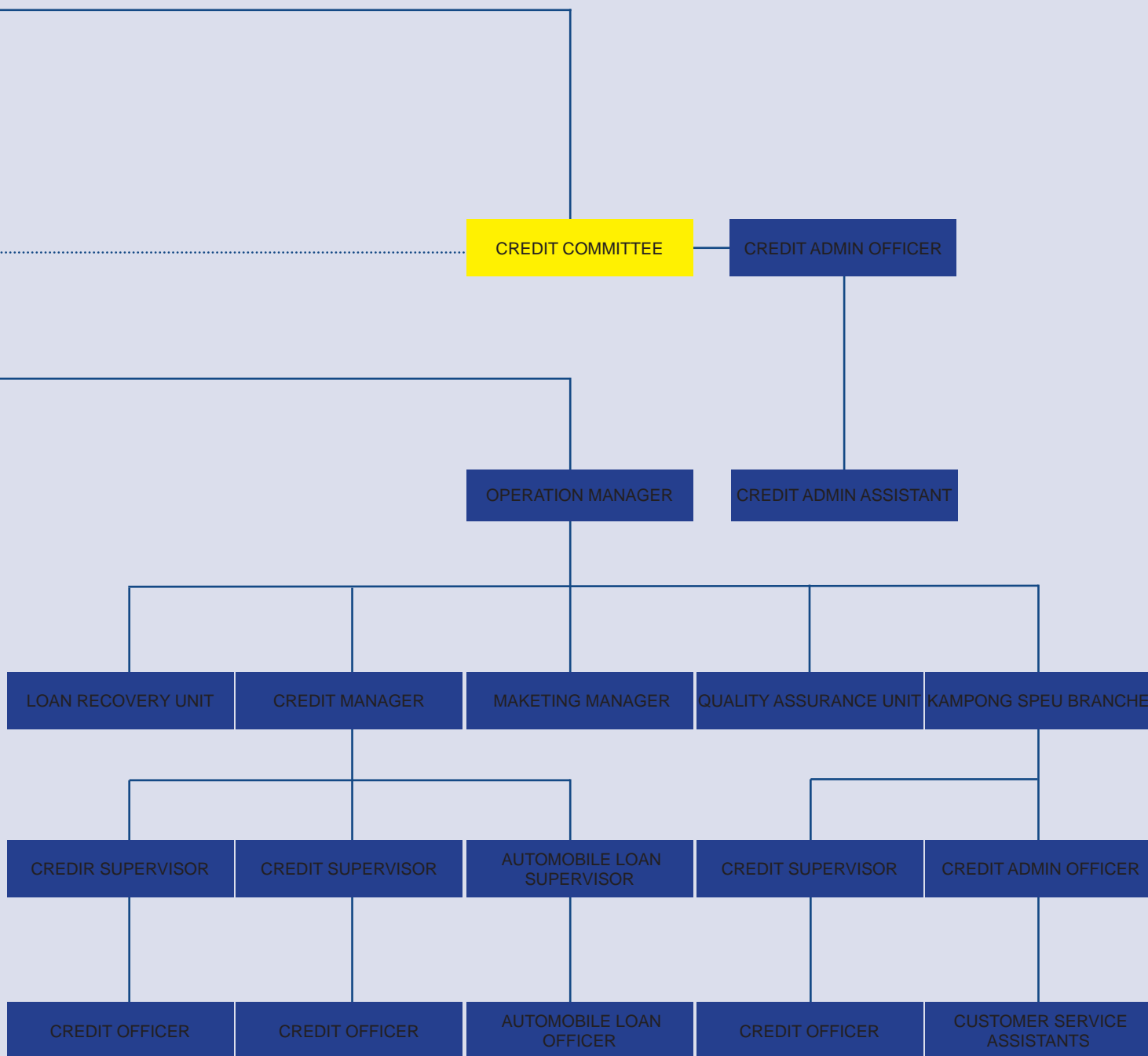


31st May 2019				
Loan	Outstanding	Number of Client	Gender	
			Female	Male
KHR'000	742,349	62	44	18
USD'000	6,736.764	1127	511	616

# 4. ACORPORATE GOVERNANCE

## LBP ORGANIZATIONAL STRUTURE 2018





## SHAREHOLDER AND BOARD OF DIRECTOR



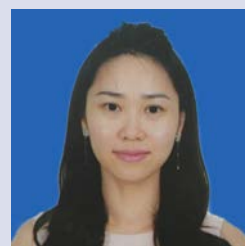
Lok Oknha Lay Bun Pa  
Chairman and shareholder



Lok Chumteav Lay Chhun Ny  
Board member and shareholder



Mr. Lay Bunnavath  
Board member and  
Managing Director



Ms. Lay Monica  
Board member



Mrs. Lay Dina  
Board member



Mr. Bou Ros  
Independence board member



Mr. Muong Sambath  
Board member and  
Chief Executive Officer

## MANAGEMENT TEAM



**Lay Bunnavath**  
**Managing Director**

Mr. Bunnavath represents the Chairman of the board in LBP. He has a master degree in Finance from England and has many years of experience in general managing.



**Muong Sambath**  
**CEO**

Mr. Sambath finished banking specialist at National Bank of Cambodia school and has over 30 years experience in banking and finance sectors, working with NBC, private banks and microfinance institutions. He is also involved in establishing LBP as well.



**Khun Davuth**  
**Finance and Administration Manager**

Mr. Davuth finished bachelor degree in Accounting. He has over 10 years of experience in accounting and finance with microfinance institutions. He joined with LBP in 2016.



**Chin Nop**  
**Operation Manager**

Mr. Nop has over 10 years of experiences in credit sector and joined with LBP in 2016. He finished bachelor degree in Human Resources Management and Master Degree in General Management.



**Yin Santepheap**  
**Credit Manager**

Mr. Santepheap has over 10 years of experience in credit sector and joined LBP in 2016. He finished bachelor in Economic Development and master of Business Administration.

# 5. INDEPENDENT AUDITOR'S AREPORT

## Independent auditor's report

### To the Shareholders of L B P Microfinance Plc.

#### Our opinion

In our opinion, the financial statements of L B P Microfinance Plc. ("the Company") present fairly, in all material respects the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards.

#### What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2018;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

#### Basis for opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

#### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the requirements of Kampuchea Institute of Certified Public Accountants and Auditors' Code of Ethics for Certified Public Accountants and Auditors ("KICPAA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and ethical requirements of KICPAA Code.

#### Other information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is directors' report and appendix notes on requirement of the Central Bank's Prakas but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and

whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For PricewaterhouseCoopers (Cambodia) Ltd.



By Lang Hy  
Partner

Phnom Penh, Kingdom of Cambodia

Date: 25 April 2019



## BALANCE SHEET

AS AT 31 DECEMBER 2018

	2018		2017	
	US\$	KH R'000	US\$	KHR'000
<b>ASSETS</b>				
Cash on hand	13,930	55,971	93,063	375,695
Balances with the Central Bank	76,628	307,891	63,741	257,322
Balances with banks	81,385	327,005	69,783	281,714
Loans to customers	5,644,212	22,678,444	3,178,414	12,831,257
Other assets	173,695	697,907	143,424	579,003
Property and equipment	75,545	303,540	103,587	418,181
Intangible assets	<b>26,730</b>	<b>107,401</b>	<b>35,640</b>	<b>143,879</b>
Deferred tax assets	18,117	72,794	821	3,314
<b>TOTAL ASSETS</b>	<b>6,110,242</b>	<b>24,550,953</b>	<b>3,688,473</b>	<b>14,890,365</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Borrowing	4,736,530	19,031,378	2,589,013	10,451,845
Other liabilities	100,280	402,925	79,962	322,807
<b>TOTAL LIABILITIES</b>	<b>4,836,810</b>	<b>19,434,303</b>	<b>2,668,975</b>	<b>10,774,652</b>
<b>EQUITY</b>				
Share capital	1,500,000	6,027,000	1,250,000	5,046,250
Accumulated losses	(226,568)	(910,350)	(230,502)	(930,537)
<b>TOTAL EQUITY</b>	<b>1,273,432</b>	<b>5,116,650</b>	<b>1,019,498</b>	<b>4,115,713</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>6,110,242</b>	<b>24,550,953</b>	<b>3,688,473</b>	<b>14,890,365</b>

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018		2017	
	US\$	KH R'000	US\$	KHR'000
Interest income	752,171	3,022,223	377,272	1,523,047
Interest expense	(291,067)	(1,169,507)	(119,934)	(484,174)
<b>Net interest income</b>	<b>461,104</b>	<b>1,852,716</b>	<b>257,338</b>	<b>1,038,873</b>
Fee and commission income	87,491	351,539	53,243	214,942
Fee and commission expenses	(12,500)	(50,225)	-	-
<b>Net fee and commission income</b>	<b>74,991</b>	<b>301,314</b>	<b>53,243</b>	<b>214,942</b>
Other operating income	65,597	263,569	29,926	120,811
<b>Total operating income</b>	<b>601,692</b>	<b>2,417,599</b>	<b>340,507</b>	<b>1,374,626</b>
Personnel expenses	(286,904)	(1,152,780)	(201,120)	(811,921)
Depreciation charge	(29,382)	(118,057)	(25,045)	(101,107)
Amortisation charge	(8,910)	(35,800)	(8,910)	(35,970)
General and administrative expenses	(189,194)	(760,182)	(166,639)	(672,722)
<b>Profit/(loss) before provision</b>	<b>87,302</b>	<b>350,780</b>	<b>(61,207)</b>	<b>(247,094)</b>
Provision for impairment losses on loan and financing	(100,664)	(404,468)	(1,067)	(4,307)
<b>Loss before income tax</b>	<b>( 13,362)</b>	<b>(53,688)</b>	<b>(62,274)</b>	<b>(251,401)</b>
Income tax expense	17,296	69,495	821	3,314
<b>Profit/(loss) for the year</b>	<b>3,934</b>	<b>15,807</b>	<b>(61,453)</b>	<b>(248,087)</b>
<b>Attributable to owners of the Company</b>	<b>3,934</b>	<b>15,807</b>	<b>(61,453)</b>	<b>(248,087)</b>

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

### Attributable to owners of the Company

	Share capital	Accumulated losses	Total
	US\$	US\$	US\$
<b>For the year ended 31 December 2018</b>			
As at 1 January 2018	1,250,000	(230,502)	1,019,498
Capital injection	250,000	-	250,000
Profit for the year	-	3,934	3,934
<b>As at 31 December 2018</b>	<b>1,500,000</b>	<b>(226,568)</b>	<b>1,273,432</b>
<b>In KHR'000 equivalent</b>	<b>6,027,000</b>	<b>(910,350)</b>	<b>5,116,650</b>
<b>For the year ended 31 December 2017</b>			
As at 1 January 2017	1,000,000	(169,049)	830,951
Capital injection	250,000	-	250,000
Loss for the year	-	(61,453)	(61,453)
<b>As at 31 December 2017</b>	<b>1,250,000</b>	<b>(230,502)</b>	<b>1,019,498</b>
<b>In KHR'000 equivalent</b>	<b>5,046,250</b>	<b>(930,537)</b>	<b>4,115,713</b>

## STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018		2017	
	US\$	KHR'000	US\$	KHR'000
<b>Cash flow from operating activities</b>				
Net cash used in operating	(2,880,760)	(11,574,896)	(2,648,430)	(10,691,713)
Interest received	734,099	2,949,610	357,889	1,444,798
Interest paid	(303,337)	(1,218,808)	(106,472)	(429,827)
Income tax paid	-	-	(4,824)	(19,474)
<b>Net cash used in operating activities</b>	<b>(2,449,998)</b>	<b>(9,844,094)</b>	<b>(2,401,837)</b>	<b>(9,696,216)</b>
<b>Cash flow from investing activities</b>				
Capital guarantee with the Central Bank	(12,500)	(50,225)	(12,500)	(50,463)
Purchases of property and equipment	(1,340)	(5,384)	(36,999)	(149,365)
Purchases of intangible asset	-	-	(11,385)	(45,961)
<b>Net cash used in investing activities</b>	<b>(13,840)</b>	<b>(55,609)</b>	<b>(60,884)</b>	<b>(245,789)</b>
<b>Cash flow from financing activities</b>				
Proceeds from issuance of share capital	250,000	1,004,500	250,000	1,009,250
Proceeds from borrowings	3,222,500	12,948,005	2,362,500	9,537,413
Repayments of borrowings	(2,574,080)	(10,342,653)	-	-
<b>Net cash generated from financing activities</b>	<b>898,420</b>	<b>3,609,852</b>	<b>2,612,500</b>	<b>10,546,663</b>
<b>Net (decrease) /increase in cash and cash equivalents</b>	<b>(1,565,418)</b>	<b>(6,289,851)</b>	<b>149,779</b>	<b>604,658</b>
Cash and cash equivalents at the beginning of the year	164,087	662,419	14,308	57,761
Currency translation differences	-	(3,116)	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>(1,401,331)</b>	<b>(5,630,548)</b>	<b>164,087</b>	<b>662,419</b>