

PRASAC MICROFINANCE INSTITUTION PLC.

**Condensed Interim Financial Statements
for the three-month and six-month
periods ended 30 June 2022
and**

**Independent Auditors' Report on Review of
Condensed Interim Financial Statements**

Corporate Information

Company	PRASAC Microfinance Institution Plc.	
Registration No.	00001157	
Registered office	Building 212, Street 271 Sangkat Tuol Tumpung 2, Khan Chamkarmon Phnom Penh Kingdom of Cambodia	
Shareholders	Kookmin Bank Co., Ltd. Kookmin Bank Cambodia Plc.	
Board of Directors	Mr. JUN Kwi Sang Mr. Hui Tae Chung Mr. Oum Sam Oeun Dr. Dong Hyun Choi Mr. Kyung Cheon Lee Mr. Jaehong Pak Mr. Chan Sophal Mr. JANG Ji Kyu	Chairman Director (appointed on 23 February 2022) Director (appointed on 23 February 2022) Director Independent Director Independent Director Independent Director Director (resigned on 18 January 2022)
Executive Committee	Mr. Oum Sam Oeun Mr. Kim Hyeun Jong Mr. Yi Ju Hwan Mr. Won Soo Yeon Mr. Kong Sean Mr. Ry Vanna Mr. Pen Sovannoksitha Mr. Hoeun Honey Mr. Sim Senacheert Mr. Oum Sophan Mr. Neang Sokhim Mr. Say Sony Mr. Choub Veasna Mr. Chea Hang	President & Chief Executive Officer EVP & Deputy Chief Executive Officer (appointed on 16 February 2022) EVP & Chief Risk Officer (appointed on 14 January 2022) EVP & Chief Finance Officer (appointed on 14 January 2022) EVP & Chief Operation Officer EVP & Chief Business Officer EVP & Chief Marketing Officer EVP & Chief Human Resource Officer President & Chief Executive Officer (resigned on 21 January 2022) EVP & Chief Finance Officer (retired on 24 January 2022) EVP & Chief Business Officer (resigned on 28 February 2022) EVP & Chief Marketing Officer (resigned on 28 January 2022) EVP & Chief Human Resource Officer (resigned on 28 January 2022) EVP & Chief Corporate Strategy and Business Plan Officer (resigned on 26 January 2022)
Auditors	KPMG Cambodia Ltd	

PRASAC Microfinance Institution Plc.

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Report of the Board of Directors

The Board of Directors (“Board” or “the Directors”) of PRASAC Microfinance Institution Plc. (“the Company”) hereby presents its report and the Company’s condensed interim financial statements for the three-month and six-month periods ended 30 June 2022.

The Company

The Company is a licensed micro-finance institution (“MFI”) incorporated and registered in the Kingdom of Cambodia.

The Company was incorporated in the Kingdom of Cambodia and registered with the Ministry of Commerce (“MoC”) as a public limited liability company under registration number 00001157 dated 19 September 2011 with the latest renewal on 28 April 2016.

The National Bank of Cambodia (“NBC”) granted a microfinance license to the Company effective on 14 December 2007. In addition, the Company received the license from the NBC to conduct a deposit-taking business on 27 August 2010 and permission to conduct automated teller machine and point-of-sale services on 1 December 2011.

The Company’s head office is located at Building 212, Street 271, Sangkat Tuol Tumpung 2, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

Principal activities

The Company operates under regulations by NBC with special focus on providing lending and other financial services to the citizenry and small and medium size enterprises, and to engage in all other activities which the Directors believe support these objectives.

Financial results

The financial results of the Company for the three-month and six-month periods ended 30 June 2022 were disclosed in the condensed interim statement of profit or loss and other comprehensive income.

Dividends

No dividends were declared or paid during the periods and the Directors do not recommend any dividends to be paid as at the reporting date.

Share capital

On 11 March 2022, the Company requested to the National Bank of Cambodia (“NBC”) to increase its share capital from USD300,000,000 to USD400,000,000 by way of capitalising the retained earnings. This request was approved by the NBC on 25 April 2022. The Memorandum and Articles of Association of the Company had been updated to reflect this change and was endorsed by the MoC on 28 April 2022.

PRASAC Microfinance Institution Plc.

Reserves and provisions

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

Expected credit losses on loans to customers

Before the condensed interim financial statements of the Company were drawn up, the Directors took reasonable steps to ascertain that action had been taken and satisfied themselves that all known bad loans had been written off and that adequate provision for expected credit losses on loans had been made.

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

Assets

Before the condensed interim financial statements of the Company were prepared, the Directors took reasonable steps to ensure that any 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 had been written down to an amount which they are expected to be realised.

At the date of this report, the Directors are not aware of any circumstances, which would render the values attributed to the assets in the 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 as misleading or inappropriate.

Contingent and other liabilities

At the date of this report, there is:

- No change in the assets of the Company which has arisen since the end of the financial reporting period which secures the liabilities of any other person; and
- No contingent liability in respect of the Company that has arisen since the end of the financial reporting period other than in the ordinary course of business.

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

PRASAC Microfinance Institution Plc.

Change of circumstances

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

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

Nothing has arisen during the interval between the end of the reporting 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 reporting periods in which this report is made.

The Board of Directors

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

<i>Name</i>	<i>Position</i>
Mr. Kwi Sang Jun	Chairman
Mr. Hui Tae Chung	Director (appointed on 23 February 2022)
Mr. Oum Sam Oeun	Director (appointed on 23 February 2022)
Dr. Dong Hyun Choi	Director
Mr. Kyung Cheon Lee	Independent Director
Mr. Jaehong Pak	Independent Director
Mr. Chan Sophal	Independent Director
Mr. Ji Kyu Jang	Director (resigned on 18 January 2022)

Executive management

Members of the executive management during the periods and at the date of this report are:

<i>Name</i>	<i>Position</i>
Mr. Oum Sam Oeun	President & Chief Executive Officer
Mr. Kim Hyeun Jong	EVP & Deputy Chief Executive Officer (appointed on 16 February 2022)
Mr. Yi Ju Hwan	EVP & Chief Risk Officer (appointed on 14 January 2022)
Mr. Won Soo Yeon	EVP & Chief Finance Officer (appointed on 14 January 2022)
Mr. Kong Sean	EVP & Chief Operation Officer
Mr. Ry Vanna	EVP & Chief Business Officer
Mr. Pen Sovannsoksitha	EVP & Chief Marketing Officer
Mr. Hoeun Honey	EVP & Chief Human Resource Officer
Mr. Sim Senacheert	President & Chief Executive Officer (resigned on 21 January 2022)

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Executive management (continued)

Members of the executive management during the period and at the date of this report are: (continued)

Mr. Oum Sophan	EVP & Chief Finance Officer (retired on 24 January 2022)
Mr. Neang Sokhim	EVP & Chief Business Officer (resigned on 28 February 2022)
Mr. Say Sony	EVP & Chief Marketing Officer (resigned on 28 January 2022)
Mr. Choub Veasna	EVP & Chief Human Resource Officer (resigned on 28 January 2022)
Mr. Chea Hang	EVP & Chief Corporate Strategy and Business Plan Officer (resigned on 26 January 2022)

Directors' interest

No member of the Directors holds a direct interest in the equity of the Company.

Directors' benefits

During and at the end of the reporting period, no arrangement existed to which the Company was a party, whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body.

No director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or with a firm in which the director is a member, or with a company which the director has a material financial interest other than those disclosed in the condensed interim financial statements.

Board of Directors' responsibility in respect to the condensed interim financial statements

The Board of Directors is responsible for ensuring that the condensed interim financial statements of the Company as at 30 June 2022, and for the three-month and six-month periods then ended, as set out on pages 8 to 56, are prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, *Interim Financial Reporting* ("CIAS 34"). The Board of Directors oversees the preparation of these condensed interim financial statements by management who is required to:

- Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- Comply with the disclosure requirements and guidelines issued by CIAS 34 or, if there has been any departure in the interest of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the condensed interim financial statements;

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Board of Directors' responsibility in respect to the condensed interim financial statements (continued)

- Maintain adequate accounting records and an effective system of internal controls;
- Prepare the condensed interim financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- Set overall policies for the Company, ratify all decisions and actions by management that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the condensed interim financial statements.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that the management has complied with the above requirements in preparing the condensed interim financial statements.

Approval of the condensed interim financial statements

We hereby approve the accompanying condensed interim financial statements, together with the notes thereto, which are prepared, in all material respects, in accordance with CIAS 34, "Interim Financial Reporting".

Signed in accordance with a resolution of the Board of Directors

Mr. Kwi Sang Jun
Chairman

Phnom Penh, Kingdom of Cambodia

11 August 2022



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

To the shareholders of PRASAC Microfinance Institution Plc.

Introduction

We have reviewed the accompanying 30 June 2022 condensed interim financial statements of PRASAC Microfinance Institution Plc. ("the Company"), as set out on pages 8 to 56 (hereafter referred to as "the condensed interim financial statements") which comprise:

- the condensed interim statement of financial position as at 30 June 2022;
- the condensed interim statements of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2022;
- the condensed interim statement of changes in equity for the six-month period ended 30 June 2022;
- the condensed interim statement of cash flows for the six-month period ended 30 June 2022; and
- other explanatory notes to the condensed interim financial statements.

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

Scope of Review

We conducted our review in accordance with the Cambodian International Standard on Review Engagements 2410, "*Review of Interim Financial 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 statements, are not prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, “*Interim Financial Reporting*”.

For KPMG Cambodia Ltd

Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

11 August 2022

PRASAC Microfinance Institution Plc.

Condensed interim statement of financial position as at 30 June 2022

	Notes	30 June 2022		31 December 2021	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
ASSETS					
Cash on hand	6	186,796,550	760,261,959	222,365,399	905,916,636
Balances with the National Bank of Cambodia	7	345,473,840	1,406,078,529	368,419,366	1,500,940,497
Balances with other banks	8	8,247,289	33,566,466	2,308,097	9,403,187
Loans to customers	9	4,067,844,165	16,556,125,752	3,691,567,993	15,039,448,003
Other assets	10	2,385,460	9,708,822	1,815,969	7,398,258
Property and equipment	11	4,722,980	19,222,529	4,861,518	19,805,825
Right-of-use assets	12	21,081,714	85,802,576	16,097,643	65,581,798
Intangible assets	13	1,222,862	4,977,048	1,354,529	5,518,351
Deferred tax assets, net	20(c)	12,770,869	51,977,437	11,727,635	47,778,385
TOTAL ASSETS		4,650,545,729	18,927,721,118	4,320,518,149	17,601,790,940
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from banks and other financial institutions	14	74,874,000	304,737,180	81,881,578	333,585,549
Deposits from customers	15	2,733,712,077	11,126,208,153	2,533,330,855	10,320,789,903
Borrowings	16	875,070,899	3,561,538,559	829,821,864	3,380,694,274
Bonds payable	17	31,436,608	127,946,995	31,342,099	127,687,711
Subordinated debts	18	92,665,342	377,147,942	105,191,790	428,551,352
Lease liabilities	19	21,503,474	87,519,139	15,591,438	63,519,518
Income tax payable	20(b)	21,722,137	88,409,098	34,153,679	139,142,088
Provision for employee benefits	21	1,487,502	6,054,133	237,906	969,229
Other liabilities	22	24,904,108	101,359,721	14,627,852	59,593,871
Total liabilities		3,877,376,147	15,780,920,920	3,646,179,061	14,854,533,495
SHAREHOLDERS' EQUITY					
Share capital	23(a)	400,000,000	1,600,000,000	300,000,000	1,200,000,000
Retained earnings		339,132,535	1,393,988,378	349,600,939	1,430,490,098
Regulatory reserve	23(b)	34,037,047	138,289,745	24,738,149	100,536,219
Currency translation reserves		-	14,522,075	-	16,231,128
Total shareholders' equity		773,169,582	3,146,800,198	674,339,088	2,747,257,445
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,650,545,729	18,927,721,118	4,320,518,149	17,601,790,940

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

PRASAC Microfinance Institution Plc.

Condensed interim statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2022

	Notes	For the six-month period ended 30 June 2022		For the six-month period ended 30 June 2021	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Interest income	24	287,732,926	1,168,195,680	242,118,738	983,244,195
Interest expense	25	(117,349,863)	(476,440,444)	(101,559,125)	(412,431,607)
Net interest income		170,383,063	691,755,236	140,559,613	570,812,588
Fees and commission income	26	4,850,051	19,691,207	4,334,419	17,602,076
Fees and commission expense	26	(645,440)	(2,620,486)	(77,888)	(316,303)
Net fees and commission income	26	4,204,611	17,070,721	4,256,531	17,285,773
Other income	27	5,705,786	23,165,491	5,155,014	20,934,512
Grant income		287,223	1,166,125	755,704	3,068,914
Net foreign exchange losses		(774,110)	(3,142,887)	(592,778)	(2,407,271)
Total other income		5,218,899	21,188,729	5,317,940	21,596,155
Total interest, fees, commission and other income		179,806,573	730,014,686	150,134,084	609,694,516
Personnel expenses	28	(48,134,364)	(195,425,518)	(37,848,583)	(153,703,096)
Reversal of/(allowance for) impairment losses	9	2,906,961	11,802,262	(16,800,898)	(68,228,447)
General and administrative expenses	29	(7,961,796)	(32,324,892)	(6,969,022)	(28,301,198)
Depreciation and amortisation	30	(3,408,041)	(13,836,646)	(3,255,332)	(13,219,903)
Profit before income tax		123,209,333	500,229,892	85,260,249	346,241,872
Income tax expense	20(a)	(24,378,839)	(98,978,086)	(16,784,682)	(68,162,594)
Net profit for the period		98,830,494	401,251,806	68,475,567	278,079,278
<i>Other comprehensive (loss)/income:</i>					
Currency translation differences		-	(1,709,053)	-	16,523,801
Total comprehensive income for the period		98,830,494	399,542,753	68,475,567	294,603,079

PRASAC Microfinance Institution Plc.

Condensed interim statement of profit or loss and other comprehensive income (continued) for the three-month period ended 30 June 2022

	Notes	For the three-month period ended 30 June 2022		For the three-month period ended 30 June 2021	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Interest income	24	146,986,133	596,175,755	123,300,397	500,969,513
Interest expense	25	(60,378,028)	(244,893,282)	(51,341,304)	(208,599,718)
Net interest income		86,608,105	351,282,473	71,959,093	292,369,795
Fees and commission income	26	2,302,649	9,339,544	2,160,569	8,778,392
Fees and commission expense	26	(622,328)	(2,524,162)	(56,813)	(230,831)
Net fees and commission income	26	1,680,321	6,815,382	2,103,756	8,547,561
Other income	27	2,885,494	11,703,564	2,277,319	9,252,747
Grant income		152,731	619,477	390,494	1,586,577
Net foreign exchange losses		(1,154,806)	(4,683,893)	(1,234,376)	(5,015,270)
Total other income		1,883,419	7,639,148	1,433,437	5,824,054
Total interest, fees, commission and other income		90,171,845	365,737,003	75,496,286	306,741,410
Personnel expenses	28	(24,412,881)	(99,018,645)	(17,463,551)	(70,954,408)
Reversal of/(allowance for) impairment losses	9	1,901,010	7,710,497	(12,548,580)	(50,984,881)
General and administrative expenses	29	(4,258,053)	(17,270,663)	(3,327,675)	(13,520,344)
Depreciation and amortisation	30	(1,774,015)	(7,195,404)	(1,643,832)	(6,678,889)
Profit before income tax		61,627,906	249,962,788	40,512,648	164,602,888
Income tax expense	20(a)	(12,184,687)	(49,421,090)	(8,001,136)	(32,508,616)
Net profit for the period		49,443,219	200,541,698	32,511,512	132,094,272
<i>Other comprehensive (loss)/income:</i>					
Currency translation differences		-	(1,205,555)	-	17,027,299
Total comprehensive income for the period		49,443,219	199,336,143	32,511,512	149,121,571

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

PRASAC Microfinance Institution Plc.

Condensed interim statement of changes in equity for the six-month period ended 30 June 2022

	Share capital		Retained earnings		Reserve fund		Regulatory reserve		Currency translation reserves		Total	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Balance at 1 January 2022	300,000,000	1,200,000,000	349,600,939	1,430,490,098	-	-	24,738,149	100,536,219	-	16,231,128	674,339,088	2,747,257,445
Capitalisation of retained earnings	100,000,000	400,000,000	(100,000,000)	(400,000,000)	-	-	-	-	-	-	-	-
Net profit for the period	-	-	98,830,494	401,251,806	-	-	-	-	-	-	98,830,494	401,251,806
Transfer to regulatory reserve	-	-	(9,298,898)	(37,753,526)	-	-	9,298,898	37,753,526	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	(1,709,053)	-	(1,709,053)
Balance at 30 June 2022	400,000,000	1,600,000,000	339,132,535	1,393,988,378	-	-	34,037,047	138,289,745	-	14,522,075	773,169,582	3,146,800,198
Balance at 1 January 2021	230,000,000	920,000,000	285,224,840	1,163,897,093	3,151,952	12,773,175	461,332	1,778,127	-	251,817	518,838,124	2,098,700,212
Capitalisation of retained earnings	70,000,000	280,000,000	(70,000,000)	(280,000,000)	-	-	-	-	-	-	-	-
Net profit for the period	-	-	68,475,567	278,079,278	-	-	-	-	-	-	68,475,567	278,079,278
Transfer from regulatory reserve	-	-	461,332	1,778,127	-	-	(461,332)	(1,778,127)	-	-	-	-
Transfer to reserve fund	-	-	(29,310)	(119,028)	29,310	119,028	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	16,523,801	-	16,523,801
Balance at 30 June 2021	300,000,000	1,200,000,000	284,132,429	1,163,635,470	3,181,262	12,892,203	-	-	-	16,775,618	587,313,691	2,393,303,291

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

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Condensed interim statement of cash flows for the six-month period ended 30 June 2022

	Notes	For the six-month period ended 30 June 2022		For the six-month period ended 30 June 2021	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES					
Net cash used in operating activities	31	<u>(104,451,914)</u>	<u>(424,074,772)</u>	<u>(39,222,302)</u>	<u>(159,281,768)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(896,112)	(3,638,215)	(538,317)	(2,186,105)
Purchase of intangible assets		(15,400)	(62,524)	(43,735)	(177,608)
Investment in negotiable certificates of deposit		(522,086)	(2,119,669)	(147,430)	(598,713)
Proceeds from Investment in negotiable certificates of deposit		521,990	2,119,279	-	-
Proceeds from disposals of property and equipment		36,491	148,153	62,059	252,022
Placement of capital guarantee		<u>(10,000,000)</u>	<u>(40,600,000)</u>	<u>(7,000,000)</u>	<u>(28,427,000)</u>
Net cash used in investing activities		<u>(10,875,117)</u>	<u>(44,152,976)</u>	<u>(7,667,423)</u>	<u>(31,137,404)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		246,501,536	1,000,796,236	77,761,365	315,788,903
Repayments of borrowings		(201,232,045)	(817,002,103)	(147,932,830)	(600,755,223)
Proceed from subordinated debts		-	-	17,296,512	70,241,135
Repayments of subordinated debts		(12,411,763)	(50,391,758)	(8,571,209)	(34,807,680)
Payments of lease liabilities		<u>(1,729,564)</u>	<u>(7,022,030)</u>	<u>(1,950,153)</u>	<u>(7,919,571)</u>
Net cash generated from/(used in) financing activities		<u>31,128,164</u>	<u>126,380,345</u>	<u>(63,396,315)</u>	<u>(257,452,436)</u>
Net decrease in cash and cash equivalents		<u>(84,198,867)</u>	<u>(341,847,403)</u>	<u>(110,286,040)</u>	<u>(447,871,608)</u>
Cash and cash equivalents at beginning of the period		364,927,185	1,486,713,352	417,065,787	1,687,031,108
Currency translation differences		-	(2,301,695)	-	10,967,970
Cash and cash equivalents at the end of the period	6	<u>280,728,318</u>	<u>1,142,564,254</u>	<u>306,779,747</u>	<u>1,250,127,470</u>
Significant non-cash transaction from financing activities					
Conversion of retained earnings to share capital		<u>100,000,000</u>	<u>400,000,000</u>	<u>70,000,000</u>	<u>280,000,000</u>

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

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements for the three-month and six-month periods ended 30 June 2022

These notes form an integral part and should be read conjunction with the accompanying condensed interim financial statements.

1. Background information

PRASAC Microfinance Institution Plc. (“the Company”) is a licensed micro-finance institution (“MFI”) incorporated and registered in the Kingdom of Cambodia.

The Company was incorporated in Cambodia and registered with the Ministry of Commerce (“MoC”) as a public limited company under registration number 00001157 dated 19 September 2011 with the latest renewal on 28 April 2016.

The National Bank of Cambodia (“NBC”) granted a microfinance license to the Company effective 14 December 2007. In addition, the Company received the license from the NBC to conduct a deposit-taking business on 27 August 2010 and permission to conduct automated teller machine and point-of-sale services on 1 December 2011.

The principal activity of the Company is to provide financial services to rural communities and micro-enterprises of Cambodia through its head office in Phnom Penh and various branches in Phnom Penh and provinces in the Kingdom of Cambodia.

The registered office of the Company is at Building 212, Street 271, Sangkat Tuol Tumpung 2, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

As at 30 June 2022, the Company had 9,375 employees (31 December 2021: 9,330 employees).

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with Cambodian International Accounting Standard (“CIAS”) 34, “*Interim Financial Reporting*”. They do not include all the information required for a complete set of CIFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and financial performance since the last annual financial statements as at and for the year ended 31 December 2021.

These condensed interim financial statements were authorised for issue by the Company’s Board of Directors on 11 August 2022.

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

2. Basis of preparation (continued)

(b) Functional currency

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Company transacts and maintains its accounting records primarily in United States Dollars (“USD”), management have determined the USD to be the Company’s functional currency as it reflects the economic substance of the underlying events and circumstances of the Company.

The condensed interim financial statements are presented in USD, which is the Company’s functional currency. All amounts have been rounded to the nearest dollars, unless otherwise indicated.

(c) Use of estimates and judgements

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

(i) Judgements

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

- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Significant increase in credit risk: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

(ii) Assumptions and estimation uncertainties

- Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Determination of the fair value of financial instruments with significant unobservable inputs.
- Recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

2. Basis of preparation (continued)

(c) Use of estimates and judgements (continued)

(ii) Assumptions and estimation uncertainties (continued)

Coronavirus and impact on ECL

The ECL was estimated based on a range of forecast economic conditions as at reporting date. The Novel Coronavirus (“Covid-19”) outbreak has spread across the globe (including mainland China, Cambodia and beyond), causing disruption to business and economic activity. The impact on GDP and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL. Management estimates have been determined based on possible forward-looking scenarios, considering the facts, circumstances, and forecast of the future economic conditions and supportable information that is available as at the reporting date.

Following the current situation of the scenarios, the Company has seen an improvement in their loan performances which has resulted in the decrease of the ECL balance as of 30 June 2022. However, it does not entirely eliminate the uncertainty resulted from Covid-19 to the calculation of the ECL, and the corresponding impact on the financial position and performance of the Company.

3. Significant accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company’s annual financial statements as at and for the year ended 31 December 2021.

4. Translation of United States Dollars into Khmer Riel

The condensed interim financial statements are expressed in United States Dollars (“USD”), which is the Company’s functional currency. The translations of USD amounts into Khmer Riel (“KHR”) meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in compliance with CIAS21 – *the Effects of changes in Foreign Exchange Rate*.

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

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

4. Translation of United States Dollars into Khmer Riel (continued)

The Company uses the following exchange rates:

			Closing rate	Average rate six-month	Average rate three-month
30 June 2022	USD1	=	KHR 4,070	KHR 4,060	KHR 4,056
30 June 2021	USD1	=	KHR 4,075	KHR 4,061	KHR 4,063
31 December 2021	USD1	=	KHR 4,074	N/A	N/A

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

5. Seasonality

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

6. Cash on hand

	30 June 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Head office	39,886,129	162,336,546	37,795,735	153,979,824
Branches	146,910,421	597,925,413	184,569,664	751,936,812
	<u>186,796,550</u>	<u>760,261,959</u>	<u>222,365,399</u>	<u>905,916,636</u>

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

6. Cash on hand (continued)

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

	30 June 2022		30 June 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Cash on hand	186,796,550	760,261,959	171,201,528	697,646,227
<i>Balances with the NBC</i>				
Current accounts	65,003,753	264,565,275	122,957,654	501,052,440
Term deposits (original maturity up to three months)	20,597,420	83,831,499	373,620	1,522,502
<i>Balances with other banks</i>				
Current accounts	2,791,334	11,360,729	12,171,239	49,597,799
Savings accounts	539,261	2,194,792	75,706	308,502
Term deposits (original maturity up to three months)	5,000,000	20,350,000	-	-
	<u>280,728,318</u>	<u>1,142,564,254</u>	<u>306,779,747</u>	<u>1,250,127,470</u>

7. Balances with the National Bank of Cambodia

	Note	30 June 2022		31 December 2021	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Current accounts	(a)	65,003,753	264,565,275	139,856,737	569,776,347
Term deposits (original maturity up to three months)	(a)	20,597,420	83,831,499	373,638	1,522,201
Term deposits (original maturity of more than three months)	(a)	148,280	603,500	148,184	603,702
Capital guarantee	(b)	40,000,000	162,800,000	30,000,000	122,220,000
Reserve requirement	(c)	219,724,387	894,278,255	198,040,807	806,818,247
		<u>345,473,840</u>	<u>1,406,078,529</u>	<u>368,419,366</u>	<u>1,500,940,497</u>

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

7. Balances with the National Bank of Cambodia (continued)

(a) Current accounts and term deposits

Current accounts earn no interest.

Term deposits with original maturity up to three months earn annual interest rates ranging from 0.08% to 1.58% (31 December 2021: from 0.04% to 1.63%) and more than three months at annual interest rates ranging from 0.83% to 1.87% (31 December 2021: from 0.13% to 1.91%) during the periods.

(b) Capital guarantee

Under Prakas No. B7-07-163 dated 13 December 2007 on Licensing of Deposit-Taking Microfinance Institutions, the Company is required to maintain a capital guarantee deposit equivalent to 10% of registered capital with the NBC. On 27 April 2022, the Company increased the capital guarantee to USD40 million, following the increase in share capital, which was approved by the NBC on 25 April 2022. This deposit is not available for use in the Company's day-to-day operations but is refundable when the Company voluntarily ceases to operate the business in Cambodia. The capital guarantee deposit earns annual interest rate at 0.65% (31 December 2021: 0.04%) during the periods.

(c) Reserve requirement

This represents the minimum reserve requirement which is calculated at 8.00% of the total deposits from customers as required by Prakas No. B7-07-163. The reserve requirement fluctuates depending on the level of deposits from customers and does not earn interest.

On 5 July 2022, the Company transferred an additional sum of USD57,000 to their reserve requirement account with NBC to maintain the minimum reserve requirement to comply with the above Prakas.

8. Balances with other banks

	30 June 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Current accounts	2,791,334	11,360,729	2,240,993	9,129,805
Savings accounts	539,261	2,194,792	90,418	368,363
Term deposits (original maturity up to three months)	5,000,000	20,350,000	-	-
Gross balances with other banks	8,330,595	33,905,521	2,331,411	9,498,168
Allowance for impairment loss	(83,306)	(339,055)	(23,314)	(94,981)
	<u>8,247,289</u>	<u>33,566,466</u>	<u>2,308,097</u>	<u>9,403,187</u>

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

8. Balances with other banks (continued)

Current accounts earn annual interest rate up to 0.75% (31 December 2021: 0.00% to 0.75%), savings accounts earn annual interest rates ranging from 0.00% to 0.50% (31 December 2021: 0.00% to 0.20%) and term deposit earns annual interest rate at 1% (31 December 2021: Nil) during the periods.

9. Loans to customers

Loans to customers are categorised as follows:

	30 June 2022				Total KHR'000 equivalent (Note 4)
	Stage 1	Stage 2	Stage 3		
	USD	USD	USD	USD	
Individual loans	3,720,392,741	286,908,758	48,910,415	4,056,211,914	16,508,782,490
Small and medium enterprises	57,115,203	6,938,970	1,336,245	65,390,418	266,139,001
Staff loans	6,268,403	-	21,873	6,290,276	25,601,423
Group loans	98,869	9,737	21,825	130,431	530,854
	3,783,875,216	293,857,465	50,290,358	4,128,023,039	16,801,053,768
Unamortised loan processing fees	(35,491,216)	(2,486,944)	(324,976)	(38,303,136)	(155,893,764)
	3,748,384,000	291,370,521	49,965,382	4,089,719,903	16,645,160,004
Accrued interest receivable	26,514,764	2,619,546	2,811,133	31,945,443	130,017,953
	3,774,898,764	293,990,067	52,776,515	4,121,665,346	16,775,177,957
Allowance for impairment losses	(10,382,268)	(13,793,456)	(29,645,457)	(53,821,181)	(219,052,205)
	3,764,516,496	280,196,611	23,131,058	4,067,844,165	16,556,125,752

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

9. Loans to customers (continued)

Loans to customers are categorised as follows: (continued)

	31 December 2021				
	Stage 1	Stage 2	Stage 3		Total
	USD	USD	USD	USD	KHR'000 equivalent (Note 4)
Individual loans	3,265,091,152	368,902,868	49,638,494	3,683,632,514	15,007,118,862
Small and medium enterprises	52,000,845	8,839,399	1,060,910	61,901,154	252,185,301
Staff loans	7,278,823	3,420	18,655	7,300,898	29,743,858
Group loans	135,996	18,863	22,067	176,926	720,797
	3,324,506,816	377,764,550	50,740,126	3,753,011,492	15,289,768,818
Unamortised loan processing fees	(31,195,926)	(3,300,001)	(344,684)	(34,840,611)	(141,940,649)
	3,293,310,890	374,464,549	50,395,442	3,718,170,881	15,147,828,169
Accrued interest receivable	24,831,162	3,238,478	2,117,904	30,187,544	122,984,054
	3,318,142,052	377,703,027	52,513,346	3,748,358,425	15,270,812,223
Allowance for impairment losses	(8,693,888)	(18,871,562)	(29,224,982)	(56,790,432)	(231,364,220)
	3,309,448,164	358,831,465	23,288,364	3,691,567,993	15,039,448,003

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

9. Loans to customers (continued)

During the periods, the Company recognised the allowance for impairment losses on loans to customers, balances with other banks and other assets as follows:

	For the six-month period ended				For the three-month period ended			
	30 June 2022		30 June 2021		30 June 2022		30 June 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 Equivalent (Note 4)	USD	KHR'000 Equivalent (Note 4)
Loans to customers	(2,969,251)	(12,055,160)	16,816,724	68,292,716	(1,953,287)	(7,922,533)	12,549,468	50,988,487
Balances with other banks	59,992	243,568	(16,931)	(68,756)	50,386	204,366	(1,650)	(6,703)
Other assets	2,298	9,330	1,105	4,487	1,891	7,670	762	3,097
	<u>(2,906,961)</u>	<u>(11,802,262)</u>	<u>16,800,898</u>	<u>68,228,447</u>	<u>(1,901,010)</u>	<u>(7,710,497)</u>	<u>12,548,580</u>	<u>50,984,881</u>

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

9. Loans to customers (continued)

Movements of allowance for impairment losses on loan to customers during the periods were as follows:

	For the six-month period ended				For the three-month period ended			
	30 June 2022		30 June 2021		30 June 2022		30 June 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 Equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Balance at the beginning of the period (Reversal of)/allowance for impairment losses during the period	56,790,432	231,364,220	49,613,493	200,686,579	55,774,468	225,886,596	53,880,749	217,947,629
Currency translation differences	(2,969,251)	(12,055,160)	16,816,724	68,292,716	(1,953,287)	(7,922,533)	12,549,468	50,988,487
	-	(256,855)	-	1,723,839	-	1,088,142	-	1,767,018
Balance at the end of the period	<u>53,821,181</u>	<u>219,052,205</u>	<u>66,430,217</u>	<u>270,703,134</u>	<u>53,821,181</u>	<u>219,052,205</u>	<u>66,430,217</u>	<u>270,703,134</u>

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

9. Loans to customers (continued)

Further analyses of loans to customers are set out below:

(a) By security

	30 June 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Secured</i>				
Real estate (hard title)	1,845,013,708	7,509,205,792	1,649,002,901	6,718,037,818
Chattel	124,624	507,220	189,467	771,887
Deposit hold-out	2,493,280	10,147,650	2,530,818	10,310,554
Others	578,525	2,354,595	640,271	2,608,465
<i>Unsecured (*)</i>				
Real estate (soft title)	2,272,284,973	9,248,199,840	2,094,535,205	8,533,136,427
Chattel	376,517	1,532,424	363,670	1,481,591
Others	793,719	3,230,436	1,096,093	4,465,481
	<u>4,121,665,346</u>	<u>16,775,177,957</u>	<u>3,748,358,425</u>	<u>15,270,812,223</u>

(*) These balances refer to the loans having collaterals with soft title deed and no collaterals which the management believes that they have high risk and treated them as unsecured loans.

(b) By residency, relationship, currency and industry sector

	30 June 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Residency</i>				
Residents	<u>4,121,665,346</u>	<u>16,775,177,957</u>	<u>3,748,358,425</u>	<u>15,270,812,223</u>
<i>Relationship</i>				
External customers	4,115,374,245	16,749,573,176	3,741,058,685	15,241,073,082
Staff loans	<u>6,291,101</u>	<u>25,604,781</u>	<u>7,299,740</u>	<u>29,739,141</u>
	<u>4,121,665,346</u>	<u>16,775,177,957</u>	<u>3,748,358,425</u>	<u>15,270,812,223</u>
<i>Currency</i>				
USD	3,597,649,873	14,642,434,982	3,286,440,759	13,388,959,652
KHR	518,397,200	2,109,876,604	452,563,732	1,843,744,644
THB	<u>5,618,273</u>	<u>22,866,371</u>	<u>9,353,934</u>	<u>38,107,927</u>
	<u>4,121,665,346</u>	<u>16,775,177,957</u>	<u>3,748,358,425</u>	<u>15,270,812,223</u>

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

9. Loans to customers (continued)

Further analyses of loans to customers are set out below: (continued)

(b) By residency, relationship, currency and industry sector (continued)

	30 June 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Industry sector</i>				
Trade and commerce	1,102,119,722	4,485,627,268	1,006,083,731	4,098,785,121
Service	692,750,758	2,819,495,585	650,895,034	2,651,746,369
Real-estate	621,150,266	2,528,081,582	536,199,895	2,184,478,372
Home improvement	529,555,459	2,155,290,718	453,670,525	1,848,253,719
Agriculture	483,712,470	1,968,709,753	445,927,277	1,816,707,726
Auto loan	317,935,069	1,293,995,731	299,573,327	1,220,461,734
Transportation	257,277,931	1,047,121,179	249,173,560	1,015,133,083
Manufacturing	47,412,884	192,970,438	45,502,628	185,377,706
Construction	44,919,630	182,822,894	39,316,458	160,175,250
Personal	24,831,157	101,062,809	22,015,990	89,693,143
	<u>4,121,665,346</u>	<u>16,775,177,957</u>	<u>3,748,358,425</u>	<u>15,270,812,223</u>

10. Other assets

	30 June 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Prepayments	1,642,781	6,686,119	1,188,294	4,841,110
Deposits	726,525	2,956,957	611,637	2,491,809
Long-term investment	28,167	114,640	28,167	114,752
Others	2,518	10,247	104	424
	<u>2,399,991</u>	<u>9,767,963</u>	<u>1,828,202</u>	<u>7,448,095</u>
Allowance for impairment losses	<u>(14,531)</u>	<u>(59,141)</u>	<u>(12,233)</u>	<u>(49,837)</u>
	<u>2,385,460</u>	<u>9,708,822</u>	<u>1,815,969</u>	<u>7,398,258</u>

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

11. Property and equipment

	For the six-month period ended 30 June 2022								
	Office furniture USD	Vehicles USD	Motorcycles USD	Computer and peripherals USD	Leasehold improvements USD	Communicati on equipment USD	Work in progress USD	Total USD	KHR'000 equivalent (Note 4)
Cost									
Balance at the beginning of the period	5,517,131	2,851,723	360,678	9,797,701	2,419,207	344,072	288,696	21,579,208	87,913,693
Additions	75,252	153,500	-	221,978	522	650	444,210	896,112	3,638,215
Disposals/write-offs	(103,478)	(83,400)	-	(202,524)	(67,382)	-	-	(456,784)	(1,854,543)
Transfers	8,710	-	-	395,330	1,743	-	(405,783)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	(81,923)
Balance at the end of the period	<u>5,497,615</u>	<u>2,921,823</u>	<u>360,678</u>	<u>10,212,485</u>	<u>2,354,090</u>	<u>344,722</u>	<u>327,123</u>	<u>22,018,536</u>	<u>89,615,442</u>
Less: Accumulated depreciation									
Balance at the beginning of the period	4,582,179	2,313,720	353,407	7,235,877	1,952,147	280,360	-	16,717,690	68,107,869
Depreciation for the period	177,976	124,916	1,779	638,979	74,792	15,488	-	1,033,930	4,197,756
Disposals/write-offs	(102,952)	(83,400)	-	(202,330)	(67,382)	-	-	(456,064)	(1,851,620)
Currency translation differences	-	-	-	-	-	-	-	-	(61,092)
Balance at the end of the period	<u>4,657,203</u>	<u>2,355,236</u>	<u>355,186</u>	<u>7,672,526</u>	<u>1,959,557</u>	<u>295,848</u>	<u>-</u>	<u>17,295,556</u>	<u>70,392,913</u>
Carrying amounts									
Balance at the beginning of the period	<u>934,952</u>	<u>538,003</u>	<u>7,271</u>	<u>2,561,824</u>	<u>467,060</u>	<u>63,712</u>	<u>288,696</u>	<u>4,861,518</u>	<u>19,805,825</u>
Balance at the end of the period	<u>840,412</u>	<u>566,587</u>	<u>5,492</u>	<u>2,539,959</u>	<u>394,533</u>	<u>48,874</u>	<u>327,123</u>	<u>4,722,980</u>	<u>19,222,529</u>

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

11. Property and equipment (continued)

	For the six-month period ended 30 June 2021								
	Office furniture USD	Vehicles USD	Motorcycles USD	Computer and peripherals USD	Leasehold improvements USD	Communication equipment USD	Work in progress USD	Total USD	KHR'000 equivalent (Note 4)
Cost									
Balance at the beginning of the period	5,355,637	3,037,394	360,678	9,030,420	2,401,455	326,356	295,714	20,807,654	84,166,961
Additions	97,201	97,500	-	170,180	3,133	1,505	168,798	538,317	2,186,105
Disposals/write-offs	(36,453)	(141,670)	-	(19,465)	(1,970)	-	-	(199,558)	(810,405)
Transfers	22,622	-	-	393,899	790	-	(417,311)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	628,972
Balance at the end of the period	<u>5,439,007</u>	<u>2,993,224</u>	<u>360,678</u>	<u>9,575,034</u>	<u>2,403,408</u>	<u>327,861</u>	<u>47,201</u>	<u>21,146,413</u>	<u>86,171,633</u>
Less: Accumulated depreciation									
Balance at the beginning of the period	4,222,332	2,315,084	349,819	6,215,744	1,788,910	252,962	-	15,144,851	61,260,922
Depreciation for the period	213,973	133,801	1,779	574,944	86,209	13,417	-	1,024,123	4,158,964
Disposals/write-offs	(34,909)	(141,670)	-	(18,730)	(1,970)	-	-	(197,279)	(801,150)
Currency translation differences	-	-	-	-	-	-	-	-	465,921
Balance at the end of the period	<u>4,401,396</u>	<u>2,307,215</u>	<u>351,598</u>	<u>6,771,958</u>	<u>1,873,149</u>	<u>266,379</u>	<u>-</u>	<u>15,971,695</u>	<u>65,084,657</u>
Carrying amounts									
Balance at the end of the period	<u>1,037,611</u>	<u>686,009</u>	<u>9,080</u>	<u>2,803,076</u>	<u>530,259</u>	<u>61,482</u>	<u>47,201</u>	<u>5,174,718</u>	<u>21,086,976</u>

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

12. Right-of-use assets

The Company leases office space, including its head office, branches and ATM spaces. Information about leases for which the Company is a lessee is presented below.

	For the six-month period ended 30 June 2022			
	Office space USD	ATM space USD	Total USD	KHR'000 equivalent (Note 4)
Cost				
Balance at the beginning of the period	30,328,390	811,909	31,140,299	126,865,578
Additions	7,118,064	93,051	7,211,115	29,277,127
Currency translation differences	-	-	-	(52,450)
Balance at the end of the period	<u>37,446,454</u>	<u>904,960</u>	<u>38,351,414</u>	<u>156,090,255</u>
Less: Accumulated depreciation				
Balance at the beginning of the period	14,414,971	627,685	15,042,656	61,283,780
Depreciation for the period	2,142,200	84,844	2,227,044	9,041,798
Currency translation differences	-	-	-	(37,899)
Balance at the end of the period	<u>16,557,171</u>	<u>712,529</u>	<u>17,269,700</u>	<u>70,287,679</u>
Carrying amounts				
Balance at the beginning of the period	<u>15,913,419</u>	<u>184,224</u>	<u>16,097,643</u>	<u>65,581,798</u>
Balance at the end of the period	<u>20,889,283</u>	<u>192,431</u>	<u>21,081,714</u>	<u>85,802,576</u>

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

12. Right-of-use assets (continued)

	For the six-month period ended 30 June 2021			
	Office space USD	ATM space USD	Total USD	KHR'000 equivalent (Note 4)
Cost				
Balance at the beginning of the period	25,638,528	717,053	26,355,581	106,608,325
Additions	808,162	12,161	820,323	3,331,332
Currency translation differences	-	-	-	802,152
Balance at the end of the period	<u>26,446,690</u>	<u>729,214</u>	<u>27,175,904</u>	<u>110,741,809</u>
Less: Accumulated depreciation				
Balance at the beginning of the period	10,579,042	454,360	11,033,402	44,630,111
Depreciation for the period	1,997,752	86,982	2,084,734	8,466,105
Currency translation differences	-	-	-	360,188
Balance at the end of the period	<u>12,576,794</u>	<u>541,342</u>	<u>13,118,136</u>	<u>53,456,404</u>
Carrying amounts				
Balance at the end of the period	<u>13,869,896</u>	<u>187,872</u>	<u>14,057,768</u>	<u>57,285,405</u>

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

13. Intangible assets

	For the six-month period ended 30 June 2022				
	Computer software USD	Core banking system license USD	Work in progress USD	USD	Total KHR'000 equivalent (Note 4)
Cost					
Balance at the beginning of the period	1,264,054	2,891,587	-	4,155,641	16,930,082
Additions	-	-	15,400	15,400	62,524
Currency translation differences	-	-	-	-	(16,469)
Balance at the end of the period	<u>1,264,054</u>	<u>2,891,587</u>	<u>15,400</u>	<u>4,171,041</u>	<u>16,976,137</u>
Less: Accumulated amortisation					
Balance at the beginning of the period	925,837	1,875,275	-	2,801,112	11,411,731
Amortisation for the period	53,665	93,402	-	147,067	597,092
Currency translation differences	-	-	-	-	(9,734)
Balance at the end of the period	<u>979,502</u>	<u>1,968,677</u>	<u>-</u>	<u>2,948,179</u>	<u>11,999,089</u>
Carrying amounts					
Balance at the beginning of the period	<u>338,217</u>	<u>1,016,312</u>	<u>-</u>	<u>1,354,529</u>	<u>5,518,351</u>
Balance at the end of the period	<u>284,552</u>	<u>922,910</u>	<u>15,400</u>	<u>1,222,862</u>	<u>4,977,048</u>

	For the six-month period ended 30 June 2021			
	Computer software USD	Core banking system license USD	USD	Total KHR'000 equivalent (Note 4)
Cost				
Balance at the beginning of the period	1,220,319	2,891,587	4,111,906	16,632,661
Additions	43,735	-	43,735	177,608
Currency translation differences	-	-	-	123,969
Balance at the end of the period	<u>1,264,054</u>	<u>2,891,587</u>	<u>4,155,641</u>	<u>16,934,238</u>
Less: Accumulated amortisation				
Balance at the beginning of the period	817,815	1,686,923	2,504,738	10,131,666
Amortisation for the period	53,073	93,402	146,475	594,834
Currency translation differences	-	-	-	77,194
Balance at the end of the period	<u>870,888</u>	<u>1,780,325</u>	<u>2,651,213</u>	<u>10,803,694</u>
Carrying amounts				
Balance at the end of the period	<u>393,166</u>	<u>1,111,262</u>	<u>1,504,428</u>	<u>6,130,544</u>

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

14. Deposits from banks and other financial institutions

	30 June 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Term deposits	74,682,764	303,958,849	77,619,435	316,221,578
Savings deposits	191,236	778,331	4,262,143	17,363,971
	<u>74,874,000</u>	<u>304,737,180</u>	<u>81,881,578</u>	<u>333,585,549</u>

Deposits from banks and other financial institutions are further analysed as follows:

(a) By relationship

	30 June 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Non-related parties	52,452,445	213,481,451	62,727,192	255,550,580
Related parties	22,421,555	91,255,729	19,154,386	78,034,969
	<u>74,874,000</u>	<u>304,737,180</u>	<u>81,881,578</u>	<u>333,585,549</u>

(b) By range of annual interest rates

	30 June 2022	31 December 2021
Term deposits		
USD	1.00% - 4.75%	2.00% - 5.25%
KHR	N/A	N/A
Savings deposits		
USD	0.00%	0.00%
KHR	0.00%	0.00%

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

15. Deposits from customers

	30 June 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Term deposits	2,599,868,926	10,581,466,528	2,397,228,295	9,766,308,074
Savings deposits	133,843,151	544,741,625	136,102,560	554,481,829
	<u>2,733,712,077</u>	<u>11,126,208,153</u>	<u>2,533,330,855</u>	<u>10,320,789,903</u>

Deposits from customers are further analysed as follows:

(a) By relationship

	30 June 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Non-related parties	2,723,455,236	11,084,462,810	2,481,756,245	10,110,674,942
Related parties	10,256,841	41,745,343	51,574,610	210,114,961
	<u>2,733,712,077</u>	<u>11,126,208,153</u>	<u>2,533,330,855</u>	<u>10,320,789,903</u>

(b) By range of annual interest rates

	30 June 2022	31 December 2021
Term deposits		
USD	2.00% - 8.25%	0.75% - 8.25%
KHR	2.00% - 10.15%	2.00% - 10.15%
THB	0.10% - 7.25%	0.10% - 8.00%
Savings deposits		
USD	0.00% - 3.00%	0.00% - 3.00%
KHR	0.00% - 3.00%	0.00% - 3.00%
THB	0.00% - 0.10%	0.00% - 0.10%

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

16. Borrowings

The Company has entered into borrowing agreements with various lenders, including both related and non-related parties. Borrowings are unsecured and the repayments of principal and interest are made either on quarterly, semi-annual or annual basis based on the repayment schedule for each of the borrowing agreements.

Borrowings are further analysed as follows:

(a) By relationship

	30 June 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Non-related parties	701,569,709	2,855,388,716	715,840,327	2,916,333,492
Related parties	173,501,190	706,149,843	113,981,537	464,360,782
	<u>875,070,899</u>	<u>3,561,538,559</u>	<u>829,821,864</u>	<u>3,380,694,274</u>

(b) By range of annual interest rates

	30 June 2022	31 December 2021
USD	1.82% to 6.98%	2.00% - 6.98%
KHR	2.00% to 7.50%	2.00% - 7.50%
THB	8.37% to 8.72%	8.37% - 8.84%

17. Bonds payable

In April 2020, the Company issued KHR127.2 billion (equivalent to USD31.18 million) fixed rate guaranteed bonds due on 23 April 2023. The bonds are guaranteed by the Credit Guarantee and Investment Facility, a trust fund of Asian Development Bank ("ADB"). The bonds are listed on the Cambodia Securities Exchange ("CSX") and were priced at KHR100,000 per bond with a coupon rate of 7.50% per annum, and are payable on a semi-annual basis commencing on 23 October 2020. The Company incurred debt's issuance costs amounting to KHR6.21 billion (equivalent to USD1.52 million).

As at 30 June 2022, the carrying value of the bonds payable is USD31,436,608 (equivalent to KHR127.95 billion) (31 December 2021: USD31,342,099 equivalent to KHR127.69 billion). During the six-month period ended 30 June 2022, the Company incurred interest expense on the issued bonds amounting to USD1,302,808 (equivalent to KHR5.29 billion) (30 June 2021: USD1,287,983 equivalent to KHR5.23 billion) (Note 25).

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

18. Subordinated debts

	30 June 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Subordinated debts	92,665,342	377,147,942	105,191,790	428,551,352

These are subordinated debts from foreign lenders, non-related parties, amounting to USD42,397,866 (equivalent to KHR172.56 billion) (31 December 2021: USD54,999,653 equivalent to KHR224.1 billion) and shareholder amounting to USD50,267,476 (equivalent to KHR204.59 billion) (31 December 2021: USD50,192,137 equivalent to KHR204.5 billion), which are repayable based on the agreed schedules stated in each loan agreement. The subordinated debt from shareholder was approved by the NBC such that it can be included as Tier 2 Capital for purpose of net worth calculation. The annual interest rates ranged from 6.98% to 10.47% (31 December 2021: 6.98% to 10.47%) during the period.

19. Lease liabilities

	30 June 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Maturity analysis – contractual undiscounted cash flows				
Less than one year	5,624,294	22,890,876	4,494,357	18,310,009
One to five years	16,042,723	65,293,883	11,814,043	48,130,411
More than five years	6,550,936	26,662,309	2,713,396	11,054,377
Total undiscounted lease liabilities	28,217,953	114,847,068	19,021,796	77,494,797
Present value of lease liabilities				
Current	3,954,938	16,096,596	3,407,054	13,880,338
Non-current	17,548,536	71,422,543	12,184,384	49,639,180
	21,503,474	87,519,139	15,591,438	63,519,518

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

19. Lease liabilities (continued)

Amounts recognised in profit or loss

	For the six-month period ended				For the three-month period ended			
	30 June 2022		30 June 2021		30 June 2022		30 June 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Expenses relating to short-term leases and lower-value assets	462,810	1,879,009	400,151	1,625,013	240,520	975,549	196,386	797,916
Interest on lease liabilities	1,231,896	5,001,498	539,039	2,189,037	943,034	3,824,946	265,244	1,077,686
	<u>1,694,706</u>	<u>6,880,507</u>	<u>939,190</u>	<u>3,814,050</u>	<u>1,183,554</u>	<u>4,800,495</u>	<u>461,630</u>	<u>1,875,602</u>

Amounts recognised in condensed interim statement of cash flows

	For the six-month period ended			
	30 June 2022		30 June 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Total cash outflows for leases:				
Principal portion	(1,729,564)	(7,022,030)	(1,950,153)	(7,919,571)
Interest portion	(659,131)	(2,676,070)	(539,039)	(2,189,037)
	<u>(2,388,695)</u>	<u>(9,698,100)</u>	<u>(2,489,192)</u>	<u>(10,108,608)</u>

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

20. Income tax

The Company's tax returns are subject to examination by the General Department of Taxation ("GDT"). Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amounts reported in the condensed interim financial statements could change at a later date upon final determination by the GDT.

(a) Income tax expense

Applicable tax rates

In accordance with Cambodian tax law, the Company has the obligation to pay tax on income ("TOI") at the rate of 20% of taxable income or minimum tax at 1% of turnover inclusive of all taxes except value-added tax, whichever is higher.

Based on ANUKRET on Tax Incentive in CSX, the Company is entitled to reduce half amount of its tax on income within the duration of tax incentive period. In order to get the incentives, the Company needs to submit the request to the General Department of Taxation ("GDT") through the Securities and Exchange Regulator of Cambodia ("SERC") (formerly known as Securities and Exchange Commission of Cambodia ("SECC") until 8 April 2021). On 4 February 2021, the Company received the letter from SERC informing that the request was submitted to GDT. The Company has submitted a clarification letter to GDT regarding the approval on tax incentive. On 11 March 2021, the Company received the approval from the GDT on the tax incentives for the fiscal year 2020 and 2021 following the Prakas No. 183 dated 25 January 2020 on the implementation guidance on the incentive on tax on profit for the IPO enterprise.

On 17 December 2021, the Company received the letter from SERC informing the Company to submit the clarification letter to GDT on the tax incentive for fiscal year 2021. On 30 December 2021 the Company submitted a clarification letter to GDT regarding the tax incentive for the fiscal year 2021. On 3 February 2022, the Company received the confirmation letter from the GDT on the tax incentives for the fiscal 2021 and fiscal 2022 following the Prakas No. 183 dated 25 January 2020 on the implementation guidance on the incentive on tax on profit for the IPO enterprise.

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

20. Income tax (continued)

(a) Income tax expense (continued)

	For the six-month period ended				For the three-month period ended			
	30 June 2022		30 June 2021		30 June 2022		30 June 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Current tax at applicable tax rate	24,723,441	100,377,170	19,076,550	77,469,870	12,358,358	50,125,500	9,263,425	37,637,296
Under provision from prior period	1,156,005	4,693,380	-	-	-	-	-	-
Tax incentive on bond listing	(457,373)	(1,856,934)	(389,162)	(1,580,387)	(200,860)	(814,688)	(183,087)	(743,882)
Current tax	25,422,073	103,213,616	18,687,388	75,889,483	12,157,498	49,310,812	9,080,338	36,893,414
Deferred tax	(1,043,234)	(4,235,530)	(1,902,706)	(7,726,889)	27,189	110,278	(1,079,202)	(4,384,798)
	<u>24,378,839</u>	<u>98,978,086</u>	<u>16,784,682</u>	<u>68,162,594</u>	<u>12,184,687</u>	<u>49,421,090</u>	<u>8,001,136</u>	<u>32,508,616</u>

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

20. Income tax (continued)

(a) Income tax expense (continued)

The reconciliation of income tax expense shown in the condensed interim statement of profit or loss and other comprehensive income was as follows:

	For the six-month period ended				For the three-month period ended			
	30 June 2022		30 June 2021		30 June 2022		30 June 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Profit before income tax	123,209,333	500,229,892	85,260,249	346,241,872	61,627,906	249,962,788	40,512,648	164,602,888
Income tax expense at applicable tax rate of 20%	24,641,866	100,045,975	17,052,049	69,248,371	12,325,581	49,992,555	8,102,529	32,920,574
Non-deductible expenses	194,346	789,045	121,795	494,610	59,966	243,223	81,694	331,924
Tax incentive on bond listing	(457,373)	(1,856,934)	(389,162)	(1,580,387)	(200,860)	(814,688)	(183,087)	(743,882)
	<u>24,378,839</u>	<u>98,978,086</u>	<u>16,784,682</u>	<u>68,162,594</u>	<u>12,184,687</u>	<u>49,421,090</u>	<u>8,001,136</u>	<u>32,508,616</u>

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

20. Income tax (continued)

(b) Income tax payable

Movements of income tax payable during the periods were as follows:

	For the six-month period ended				For the three-month period ended			
	30 June 2022		30 June 2021		30 June 2022		30 June 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 Equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Balance at the beginning of the period	34,153,679	139,142,088	24,076,695	97,390,231	11,078,588	44,868,281	8,769,054	35,470,823
Current income tax at applicable tax rate	24,723,441	100,377,170	19,076,550	77,469,870	12,358,358	50,125,500	9,263,425	37,637,296
Under provision from prior period	1,156,005	4,693,380	-	-	-	-	-	-
Tax incentive on bond listing	(457,373)	(1,856,934)	(389,162)	(1,580,387)	(200,860)	(814,688)	(183,087)	(743,882)
Income tax paid	(37,853,615)	(153,685,677)	(26,172,789)	(106,287,696)	(1,513,949)	(6,140,577)	(1,258,098)	(5,111,652)
Currency translation differences	-	(260,929)	-	617,505	-	370,582	-	356,938
Balance at the end of the period	<u>21,722,137</u>	<u>88,409,098</u>	<u>16,591,294</u>	<u>67,609,523</u>	<u>21,722,137</u>	<u>88,409,098</u>	<u>16,591,294</u>	<u>67,609,523</u>

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

20. Income tax (continued)

(c) Deferred tax assets, net

Details of deferred tax assets/(liabilities) were as follows:

	30 June 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Unamortised loan fees	7,660,627	31,178,752	6,968,122	28,388,129
Allowance for impairment losses	1,720,495	7,002,415	3,510,062	14,299,992
Unused annual leave	658,804	2,681,332	440,040	1,792,723
Provision for employee benefits	297,500	1,210,825	47,581	193,845
Accrued interest receivable	3,043	12,385	5,696	23,206
Right-of-use assets and lease liabilities	175,145	712,840	122,870	500,572
Unamortised borrowing fees	411,690	1,675,578	282,493	1,150,876
Property, equipment and intangible assets	(210,689)	(857,504)	(242,527)	(988,055)
Management incentive	1,156,005	4,704,940	-	-
Foreign exchange differences	898,249	3,655,874	593,298	2,417,097
Deferred tax assets, net	<u>12,770,869</u>	<u>51,977,437</u>	<u>11,727,635</u>	<u>47,778,385</u>

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

21. Provision for employee benefits

	For the six-month period ended				For the three-month period ended			
	30 June 2022		30 June 2021		30 June 2022		30 June 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 Equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Balance as at the beginning of period	237,906	969,229	435,375	1,761,092	1,375,762	5,571,836	1,418,199	5,736,615
Recognised in profit or loss	2,695,815	10,945,009	1,888,255	7,668,204	1,557,548	6,317,415	903,820	3,672,221
Payments during the period	(1,446,219)	(5,871,649)	(1,740,690)	(7,068,942)	(1,445,808)	(5,864,197)	(1,739,079)	(7,065,878)
Currency translation differences	-	11,544	-	15,127	-	29,079	-	32,523
Balance at the end of the period	<u>1,487,502</u>	<u>6,054,133</u>	<u>582,940</u>	<u>2,375,481</u>	<u>1,487,502</u>	<u>6,054,133</u>	<u>582,940</u>	<u>2,375,481</u>

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

22. Other liabilities

	30 June 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Accrued bonus and incentive	18,043,443	73,436,813	6,329,705	25,787,218
Accrued expenses	3,971,601	16,164,416	2,832,493	11,539,576
Withholding tax payable	1,516,404	6,171,764	1,360,438	5,542,424
Account payables	1,178,990	4,798,489	1,913,161	7,794,218
Tax on salary	184,661	751,570	2,186,046	8,905,951
Others	9,009	36,669	6,009	24,484
	<u>24,904,108</u>	<u>101,359,721</u>	<u>14,627,852</u>	<u>59,593,871</u>

23. Equity and reserves

(a) Share capital

On 11 March 2022, the Company requested to the National Bank of Cambodia (“NBC”) to increase its share capital from USD300,000,000 to USD400,000,000 by way of capitalising the retained earnings. This request was approved by the NBC on 25 April 2022. The Memorandum and Articles of Association of the Company had been updated to reflect this change and was endorsed by the MoC on 28 April 2022.

All 400,000,000 ordinary shares are registered, issued, and paid-up with a par value of KHR4,000 per share.

The details of shareholders and shareholding structure are as follows:

	30 June 2022		
	USD	KHR'000 equivalent (Note 4)	%
KB	399,999,999	1,599,999,996	99.99999975%
KBC	<u>1</u>	<u>4</u>	<u>0.00000025%</u>
	<u>400,000,000</u>	<u>1,600,000,000</u>	<u>100%</u>

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

23. Equity and reserves (continued)

(a) Share capital (continued)

The details of shareholders and shareholding structure are as follows: (continued)

	31 December 2021		
	USD	KHR'000 equivalent (Note 4)	%
KB	299,999,999	1,199,999,996	99.99999967%
KBC	<u>1</u>	<u>4</u>	<u>0.00000033%</u>
	<u>300,000,000</u>	<u>1,200,000,000</u>	<u>100%</u>

Abbreviation:

KB: Kookmin Bank Co.Ltd.

KBC: Kookmin Bank Cambodia Plc.

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

23. Equity and reserves (continued)

(b) Regulatory reserve

The movements in regulatory reserve during the periods were as follows:

	For the six-month period ended				For the three-month period ended			
	30 June 2022		30 June 2021		30 June 2022		30 June 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 Equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Balance at the beginning of the period	24,738,149	100,536,219	461,332	1,778,127	27,202,876	110,550,405	1,123,405	4,559,901
Transfer from/(to) retained earnings	9,298,898	37,753,526	(461,332)	(1,778,127)	6,834,171	27,739,340	(1,123,405)	(4,559,901)
Balance at the end of the period	<u>34,037,047</u>	<u>138,289,745</u>	<u>-</u>	<u>-</u>	<u>34,037,047</u>	<u>138,289,745</u>	<u>-</u>	<u>-</u>

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

24. Interest income

	For the six-month period ended				For the three-month period ended			
	30 June 2022		30 June 2021		30 June 2022		30 June 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 Equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Individual loans	287,603,193	1,167,668,965	241,961,730	982,606,586	146,890,636	595,788,419	123,236,748	500,710,906
Group loans	11,139	45,224	24,427	99,198	5,203	21,103	10,505	42,682
Balances with other banks	53,924	218,931	101,181	410,896	34,458	139,762	46,278	188,028
Balances with NBC	64,670	262,560	31,400	127,515	55,836	226,471	6,866	27,897
	<u>287,732,926</u>	<u>1,168,195,680</u>	<u>242,118,738</u>	<u>983,244,195</u>	<u>146,986,133</u>	<u>596,175,755</u>	<u>123,300,397</u>	<u>500,969,513</u>

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

25. Interest expense

	For the six-month period ended				For the three-month period ended			
	30 June 2022		30 June 2021		30 June 2022		30 June 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 Equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Deposits from customers	82,835,331	336,311,444	68,760,775	279,237,508	42,778,063	173,507,824	34,852,340	141,605,058
Borrowings	25,644,083	104,114,977	24,384,787	99,026,620	13,037,858	52,881,552	12,168,680	49,441,347
Subordinated debts	5,063,252	20,556,803	5,512,759	22,387,314	2,388,937	9,689,528	2,873,001	11,673,003
Bonds payable	1,302,808	5,289,400	1,287,983	5,230,499	631,470	2,561,242	643,988	2,616,523
Deposits from banks and other financial institutions	1,272,493	5,166,322	1,073,782	4,360,629	598,666	2,428,190	538,051	2,186,101
Lease liabilities	1,231,896	5,001,498	539,039	2,189,037	943,034	3,824,946	265,244	1,077,686
	<u>117,349,863</u>	<u>476,440,444</u>	<u>101,559,125</u>	<u>412,431,607</u>	<u>60,378,028</u>	<u>244,893,282</u>	<u>51,341,304</u>	<u>208,599,718</u>

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

26. Net fees and commission income

	For the six-month period ended				For the three-month period ended			
	30 June 2022		30 June 2021		30 June 2022		30 June 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 Equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Instalment fee income	4,507,706	18,301,286	3,956,207	16,066,157	2,133,179	8,652,174	1,984,258	8,062,040
Local remittance services income	342,345	1,389,921	378,212	1,535,919	169,470	687,370	176,311	716,352
Fees and commission income	4,850,051	19,691,207	4,334,419	17,602,076	2,302,649	9,339,544	2,160,569	8,778,392
Borrowing fee	(582,005)	(2,362,940)	-	-	(582,005)	(2,360,612)	-	-
Bank charges on borrowings	(62,435)	(253,486)	(77,393)	(314,293)	(40,323)	(163,550)	(56,813)	(230,831)
Others	(1,000)	(4,060)	(495)	(2,010)	-	-	-	-
Fees and commission expense	(645,440)	(2,620,486)	(77,888)	(316,303)	(622,328)	(2,524,162)	(56,813)	(230,831)
Net fees and commission income	4,204,611	17,070,721	4,256,531	17,285,773	1,680,321	6,815,382	2,103,756	8,547,561

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

27. Other income

	For the six-month period ended				For the three-month period ended			
	30 June 2022		30 June 2021		30 June 2022		30 June 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 Equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Penalty from late repayment of loan	2,575,620	10,457,017	3,083,892	12,523,685	1,218,610	4,942,682	1,383,484	5,621,095
Recovery of loan written-off	2,585,624	10,497,633	1,489,044	6,047,008	1,383,906	5,613,123	634,654	2,578,599
Others	544,542	2,210,841	582,078	2,363,819	282,978	1,147,759	259,181	1,053,053
	<u>5,705,786</u>	<u>23,165,491</u>	<u>5,155,014</u>	<u>20,934,512</u>	<u>2,885,494</u>	<u>11,703,564</u>	<u>2,277,319</u>	<u>9,252,747</u>

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

28. Personnel expenses

	For the six-month period ended				For the three-month period ended			
	30 June 2022		30 June 2021		30 June 2022		30 June 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 Equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Salaries, bonuses and incentives	43,547,682	176,803,589	34,141,086	138,646,950	22,149,785	89,839,528	15,914,145	64,659,171
Employee benefits	2,695,815	10,945,009	1,888,255	7,668,204	1,557,548	6,317,415	903,820	3,672,221
Employee social welfare fund expenses	586,808	2,382,440	549,399	2,231,109	296,724	1,203,513	281,303	1,142,934
Medical expenses	16,379	66,499	23,143	93,984	9,801	39,753	20,299	82,475
Other employee benefits	1,287,680	5,227,981	1,246,700	5,062,849	399,023	1,618,436	343,984	1,397,607
	<u>48,134,364</u>	<u>195,425,518</u>	<u>37,848,583</u>	<u>153,703,096</u>	<u>24,412,881</u>	<u>99,018,645</u>	<u>17,463,551</u>	<u>70,954,408</u>

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

29. General and administrative expenses

	For the six-month period ended				For the three-month period ended			
	30 June 2022		30 June 2021		30 June 2022		30 June 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 Equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Fuel costs	2,031,270	8,246,956	1,832,810	7,443,041	1,053,366	4,272,452	906,792	3,684,296
Repair and maintenance	806,618	3,274,869	518,752	2,106,652	457,639	1,856,184	252,737	1,026,870
Printing and stationery	647,038	2,626,974	702,132	2,851,358	341,580	1,385,448	358,357	1,456,004
Professional fees	642,943	2,610,349	290,835	1,181,081	474,395	1,924,146	129,750	527,174
Transportation	603,388	2,449,755	541,641	2,199,604	312,213	1,266,336	272,885	1,108,732
Utilities	599,779	2,435,103	600,752	2,439,654	306,887	1,244,734	319,489	1,298,084
Rental	462,810	1,879,009	400,151	1,625,013	240,520	975,549	196,386	797,916
Communications	448,975	1,822,839	406,136	1,649,318	224,941	912,361	206,939	840,793
Office supplies	342,618	1,391,029	228,539	928,097	169,505	687,512	24,823	100,856
Other tax expenses	332,677	1,350,669	226,681	920,552	136,128	552,135	30,690	124,693
Marketing and promotions	285,437	1,158,874	150,540	611,343	106,589	432,325	32,793	133,238
License fees	255,125	1,035,808	312,101	1,267,442	125,349	508,416	149,885	608,983
Donation	100,905	409,674	173,617	705,059	99,062	401,795	166,086	674,807
Travelling	59,989	243,555	36,473	148,117	44,204	179,291	4,116	16,723
Training	50,889	206,609	36,275	147,313	50,674	205,534	29,219	118,717
Bank charges	38,414	155,961	149,892	608,711	8,248	33,454	36,896	149,908
Stamp tax	35,148	142,701	87,740	356,312	32,965	133,706	31,169	126,640
Other expenses	217,773	884,158	273,955	1,112,531	73,788	299,285	178,663	725,910
	<u>7,961,796</u>	<u>32,324,892</u>	<u>6,969,022</u>	<u>28,301,198</u>	<u>4,258,053</u>	<u>17,270,663</u>	<u>3,327,675</u>	<u>13,520,344</u>

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

30. Depreciation and amortization

	For the six-month period ended				For the three-month period ended			
	30 June 2022		30 June 2021		30 June 2022		30 June 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Property and equipment	1,033,930	4,197,756	1,024,123	4,158,964	515,485	2,090,807	521,039	2,116,981
Intangible assets	147,067	597,092	146,475	594,834	73,859	299,572	74,172	301,361
Right-of-use assets	2,227,044	9,041,798	2,084,734	8,466,105	1,184,671	4,805,025	1,048,621	4,260,547
	<u>3,408,041</u>	<u>13,836,646</u>	<u>3,255,332</u>	<u>13,219,903</u>	<u>1,774,015</u>	<u>7,195,404</u>	<u>1,643,832</u>	<u>6,678,889</u>

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

31. Net cash used in operating activities

	Note	For the six-month period ended 30 June 2022		For the six-month period ended 30 June 2021	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Net profit for the period		98,830,494	401,251,806	68,475,567	278,079,278
<i>Adjustments for:</i>					
Depreciation and amortisation	30	3,408,041	13,836,646	3,255,332	13,219,903
Gain on disposal of property and equipment		(35,771)	(145,230)	(59,780)	(242,767)
Net interest income		(170,383,063)	(691,755,236)	(140,559,613)	(570,812,588)
Allowance for impairment losses	9	(2,906,961)	(11,802,262)	16,800,898	68,228,447
Income tax expense	20(a)	24,378,839	98,978,086	16,784,682	68,162,594
Provision for employee benefits	21	2,695,815	10,945,009	1,888,255	7,668,204
Unrealised exchange losses		893,196	3,626,376	960,935	3,902,357
		(43,119,410)	(175,064,805)	(32,453,724)	(131,794,572)
<i>Changes in:</i>					
Balances with the NBC		(21,683,580)	(88,035,335)	(13,216,595)	(53,672,592)
Loans to customers		(372,986,093)	(1,514,323,538)	(317,968,485)	(1,291,270,018)
Other assets		(141,304)	(573,694)	(3,382,176)	(13,735,017)
Deposits from banks and other financial institutions		(6,561,482)	(26,639,617)	17,464,135	70,921,852
Deposits from customers		193,025,103	783,681,918	192,500,647	781,745,127
Other liabilities		10,276,256	41,721,599	6,588,349	26,755,285
Cash used in operations		(241,190,510)	(979,233,472)	(150,467,849)	(611,049,935)
Interest received		285,975,027	1,161,058,610	239,131,917	971,114,715
Interest paid		(109,936,597)	(446,342,584)	(99,972,891)	(405,989,910)
Income tax paid	20(b)	(37,853,615)	(153,685,677)	(26,172,789)	(106,287,696)
Employee benefits paid	21	(1,446,219)	(5,871,649)	(1,740,690)	(7,068,942)
Net cash used in operating activities		(104,451,914)	(424,074,772)	(39,222,302)	(159,281,768)

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

32. Related party transactions and balances

(a) Significant transactions with related parties

<i>Transactions</i>	<i>Related parties</i>	For the six-month period ended				For the three-month period ended			
		30 June 2022		30 June 2021		30 June 2022		30 June 2021	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 Equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Fees and related expenses	Board of Directors	134,629	546,594	115,879	470,585	71,214	288,844	52,500	213,308
Interest expense	Board of Directors	331	1,344	1,363	5,535	202	819	518	2,105
	Shareholders	565,225	2,294,814	208,866	848,205	343,007	1,391,236	92,854	377,266
	Key management personnel	469,417	1,905,833	1,000,113	4,061,459	181,955	738,009	493,318	2,004,351
	Other related parties	3,443,235	13,979,534	2,326,622	9,448,412	1,742,554	7,067,799	1,163,015	4,725,330
Fees and commissions on loans	Shareholders	413,569	1,679,090	403,452	1,638,419	207,927	843,352	187,495	761,792
Salaries and employee benefits	Key management personnel	1,950,568	7,919,306	2,671,022	10,847,020	1,068,478	4,333,747	1,740,921	7,073,362
Interest income	Key management personnel	37,857	153,699	40,443	164,239	17,594	71,360	22,573	91,714
Employee benefits expense	Key management personnel	71,923	292,007	126,039	511,844	39,361	159,648	85,063	345,611
Management incentive	Key management personnel	1,641,473	6,657,814	-	-	820,734	3,328,897	-	-

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

32. Related party transactions and balances (continued)

(b) Balances with related parties

<i>Accounts</i>	<i>Related parties</i>	30 June 2022		31 December 2021	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Deposits	Directors and key management personnel	10,256,841	41,745,343	51,574,610	210,114,961
	KB Daehan Specialized Bank Plc.	980	3,989	4,001,000	16,300,074
	KB Bank Myanmar Co., Ltd.	22,420,575	91,251,740	15,153,386	61,734,895
		<u>32,678,396</u>	<u>133,001,072</u>	<u>70,728,996</u>	<u>288,149,930</u>
Loans	Directors and key management personnel	<u>516,639</u>	<u>2,102,721</u>	<u>1,006,948</u>	<u>4,102,306</u>
Borrowings	KB	70,232,777	285,847,402	-	-
	KBC	7,981,780	32,485,845	7,974,847	32,489,527
	KB Daehan Specialized Bank Plc.	2,956,297	12,032,129	2,953,984	12,034,531
	Other KB related parties	92,330,336	375,784,467	103,052,706	419,836,724
		<u>173,501,190</u>	<u>706,149,843</u>	<u>113,981,537</u>	<u>464,360,782</u>
Subordinated debts	KB	<u>50,267,476</u>	<u>204,588,627</u>	<u>50,192,137</u>	<u>204,482,766</u>
Accrued management incentive	Directors and key management personnel	<u>7,421,500</u>	<u>30,205,505</u>	<u>5,780,027</u>	<u>23,513,150</u>

33. Fair values of financial assets and liabilities

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. 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 information presented herein represents the estimates of fair values as at the reporting date.

Quoted and observable market prices, where available, are used as the measure of fair values of the financial instruments. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

PRASAC Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

33. Fair values of financial assets and liabilities (continued)

Fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of CIFRS 7, *Financial Instruments Disclosures* which requires the fair value information to be disclosed. The fair values of the Company's financial instruments such as cash and short-term funds, balances with the NBC, balances with other banks, deposits from customers, deposit from banks and other financial institution, other assets, other liabilities and short-term borrowings are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying values of these financial assets and liabilities at the reporting date approximate their fair values.

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are:

- *Cash on hand, balances with the NBC and with other banks*

The carrying amounts approximate the fair values due to the short-term nature of these accounts.

- *Loans to customers*

The fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads.

Input into the models may include data from third party and information obtained from other market participants, which includes observed primary and secondary transactions. Its carrying value approximates to fair value at the reporting date.

- *Deposits from banks and other financial institutions, and deposits from customers*

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

The estimated fair value of deposits with no stated maturities, which includes non-interest bearing current accounts and savings deposits, is the amount payable at the reporting date.

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

33. Fair values of financial assets and liabilities (continued)

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are: (continued)

- *Borrowings and subordinated debts*

The fair value of borrowings and subordinated debts are estimated by discounting the expected future cash flows using the applicable prevailing market interest rates for borrowings with similar risk profiles.

However, only the contractual interest rates which are confirmed and provided by all lenders are available at the reporting date instead of the applicable prevailing market interest rates. The Company believed that the contractual interest rates were not significantly different to the prevailing market interest rates on the ground that there was no change to interest rates following the lenders' consideration on the Company's credit risk profile as at reporting date. On this basis, the fair value of borrowings and subordinated debts approximates their carrying values at the reporting date.

- *Other assets and liabilities*

Due to their short duration, the carrying amounts of other liabilities in the statement of financial position are considered to be reasonable approximation of their fair values.

Fair value hierarchy

CIFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Company's market assumptions. The fair value hierarchy is as follows:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within 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 asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2022

34. Tax contingency

On 26 April 2022, the Company received a tax notification letter from the General Department of Taxation ("GDT") for a comprehensive tax audit for the period from 1 January 2020 to 31 December 2021. As at the date of this report, the GDT has yet issued any result to the Company.

Taxes are calculated on the basis of current interpretation of the tax regulations enacted at reporting date. The management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subjected to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

However, these regulations are subject to periodic variation and the ultimate determination of tax liabilities will be made following inspection by the tax authorities. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the taxes liabilities and balances in the period in which the determination is made.