

PRASAC MICROFINANCE INSTITUTION PLC.

**Condensed Interim Financial Statements
for the three-month and twelve-month
periods ended 31 December 2021
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	<i>Former shareholders:</i> Kookmin Bank Co., Ltd LOLC International Private Limited The Bank of East Asia, Limited PRASAC Staff Company Limited <i>New shareholders (approved by NBC on 12 October 2021):</i> Kookmin Bank Co., Ltd Kookmin Bank Cambodia Plc	
Board of Directors	Mr. Kwi Sang Jun Mr. Ji Kyu Jang Mr. Choi Dong Hyun Mr. Lee Kyung Cheon Mr. Pak Jaehong Mr. Chan Sophal Mr. Ishara Chinthaka Nanayakkara Mr. Sim Senacheert Mr. Minki Brian Hong Mr. Hak Soo Kim	Chairman Director Director (appointed on 12 October 2021) Independent Director (appointed on 12 October 2021) Independent Director (appointed on 12 October 2021) Independent Director (appointed on 12 October 2021) Director (resigned on 12 October 2021) Director (resigned on 12 October 2021) Director (resigned on 12 October 2021) Director (resigned on 28 January 2021)
Executive Committee	Mr. Oum Sam Oeun Mr. Won Sooyeon Mr. Kong Sean Mr. Ry Vanna Mr. Pen Sovannsoksitha	President & Chief Executive Officer (appointed on 2 December 2021) EVP & Chief Finance Officer (appointed on 14 January 2022) EVP & Chief Operation Officer (appointed on 1 December 2021) EVP & Chief Business Officer (appointed on 6 December 2021) EVP & Chief Marketing Officer (appointed on 6 December 2021)

Corporate Information (continued)

Executive Committee (continued)

Mr. Hoeun Honey	EVP & Chief Human Resource Officer (appointed on 1 December 2021)
Mr. Sim Senacheert	President & Chief Executive Officer (resigned on 21 January 2022)
Mr. Oum Sophan	EVP & Chief Financial Officer (retired on 24 January 2022)
Mr. Neang Sokhim	EVP & Chief Business Officer (tendered the resignation with last day 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)

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 twelve-month period ended 31 December 2021.

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 twelve-month period ended 31 December 2021 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 12 May 2021, the Company requested to the National Bank of Cambodia (“NBC”) to increase its share capital from USD230,000,000 to USD300,000,000 by way of capitalising the retained earnings. This request was approved by the NBC on 31 May 2021. The Memorandum and Articles of Association of the Company had been updated to reflect this change and was endorsed by the MoC on 9 June 2021.

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Share capital (continued)

On 6 September 2021, the shareholders have reached an agreement and resolved to transfer the 30% of the Company's ordinary share, collectively, from LOLC International Private Limited ("LOLC"), The Bank of East Asia, Limited ("BEA") and PRASAC Staff Company Limited ("PSCo") to Kookmin Bank Co., Ltd ("KB") and Kookmin Bank Cambodia Plc ("KBC"). On 12 October 2021, the Company obtained approval from the National Bank of Cambodia ("NBC") regarding this capital transfer. The Memorandum and Articles of Association of the Company had been updated to reflect this change and was endorsed by the MoC on 19 October 2021.

The details of the capital transfers were as follows:

	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>
	31 December 2020		
	USD	KHR'000 equivalent (Note 4)	%
KB	161,000,000	644,000,000	70.0%
LOLC	48,300,000	193,200,000	21.0%
BEA	14,490,000	57,960,000	6.3%
PSCo	<u>6,210,000</u>	<u>24,840,000</u>	<u>2.7%</u>
	<u>230,000,000</u>	<u>920,000,000</u>	<u>100%</u>

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.

Prasac Microfinance Institution Plc.

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.

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 in the interval between the end of the reporting periods 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 period in which this report is made.

Prasac Microfinance Institution Plc.

The Board of Directors

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

<i>Name</i>	<i>Position</i>
Mr. Kwi Sang Jun	Chairman
Mr. Ji Kyu Jang	Director
Mr. Choi Dong Hyun	Director (appointed on 12 October 2021)
Mr. Lee Kyung Cheon	Independent Director (appointed on 12 October 2021)
Mr. Pak Jaehong	Independent Director (appointed on 12 October 2021)
Mr. Chan Sophal	Independent Director (appointed on 12 October 2021)
Mr. Ishara Chinthaka Nanayakkara	Director (resigned on 12 October 2021)
Mr. Sim Senacheert	Director (resigned on 12 October 2021)
Mr. Minki Brian Hong	Director (resigned on 12 October 2021)
Mr. Hak Soo Kim	Director (resigned on 28 January 2021)

Executive management

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

<i>Name</i>	<i>Position</i>
Mr. Oum Sam Oeun	President & Chief Executive Officer (appointed on 2 December 2021)
Mr. Won Sooyeon	EVP & Chief Finance Officer (appointed on 14 January 2022)
Mr. Kong Sean	EVP & Chief Operation Officer (appointed on 1 December 2021)
Mr. Ry Vanna	EVP & Chief Business Officer (appointed on 6 December 2021)
Mr. Pen Sovannsoksitha	EVP & Chief Marketing Officer (appointed on 6 December 2021)
Mr. Hoeun Honey	EVP & Chief Human Resource Officer (appointed on 1 December 2021)
Mr. Sim Senacheert	President & Chief Executive Officer (resigned on 21 January 2022)
Mr. Oum Sophan	EVP & Chief Financial Officer (retired on 24 January 2022)
Mr. Neang Sokhim	EVP & Chief Business Officer (tendered the resignation with last day 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)

Prasac Microfinance Institution Plc.

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 31 December 2021, and for the three-month and twelve-month period then ended, as set out on pages 9 to 59, 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;
- 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.

Prasac Microfinance Institution Plc.

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.

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



Mr. Kwi Sang JUN
Chairman

Phnom Penh, Kingdom of Cambodia

11 Febraury 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 31 December 2021 condensed interim financial statements of Prasac Microfinance Institution Plc. ("the Company"), (hereafter referred to as "the condensed interim financial statements") which comprise:

- the condensed interim statement of financial position as at 31 December 2021;
- the condensed interim statements of profit or loss and other comprehensive income for the three-month and twelve-month periods ended 31 December 2021;
- the condensed interim statement of changes in equity for the twelve-month period ended 31 December 2021;
- the condensed interim statement of cash flows for the twelve-month period ended 31 December 2021; and
- other explanatory notes to the condensed interim financial statements as set out on pages 9 to 59.

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”.

Emphasis of Matter – Comparative Information

We draw attention to Note 35 to the condensed interim financial statements which indicates that the comparative information presented as at 31 December 2020 has been restated. Our conclusion is not modified in respect of this matter.

Other Matter Relates to Comparative Information

The 31 December 2020 condensed interim financial statements and the financial statements of the Company for the year ended 31 December 2020, excluding the adjustments described in Note 35 to the condensed interim financial statements, were reviewed and audited by another firm of auditors who expressed an unmodified conclusion and unmodified opinion on those financial statements on 30 March 2021 and 31 March 2021, respectively.

As part of our review of the 31 December 2021 condensed interim financial statements, we reviewed the adjustments described in Note 35 that were applied to restate the comparative information presented as at 31 December 2020. We were not engaged to review or apply any procedures to the 31 December 2020 condensed interim financial statements or the financial statements for the year ended 31 December 2020, other than with respect to the adjustments described in Note 35 to the condensed interim financial statements. Accordingly, we do not express a conclusion or any other form of assurance on those respective financial statements taken as a whole. However, based on our review, nothing has come to our attention that cause us to believe that the adjustments described in Note 35 are not appropriate or have not been properly applied.

For KPMG Cambodia Ltd

 

Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

11 February 2022

Prasac Microfinance Institution Plc.

Condensed interim statement of financial position as at 31 December 2021

	Notes	31 December 2021		31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD (As restated)	KHR'000 equivalent (Note 4) (As restated)
ASSETS					
Cash on hand	6	222,365,399	905,916,636	160,578,086	649,538,358
Balances with the National Bank of Cambodia	7	368,419,366	1,500,940,497	438,355,399	1,773,147,589
Balances with other banks	8	2,308,097	9,403,187	3,975,029	16,078,992
Loans to customers	9	3,691,567,993	15,039,448,003	2,978,579,934	12,048,355,833
Other assets	10	1,815,969	7,398,258	1,341,096	5,424,733
Property and equipment	11	4,861,518	19,805,825	5,662,803	22,906,039
Right-of-use assets	12	16,097,643	65,581,798	15,322,179	61,978,214
Intangible assets	13	1,354,529	5,518,351	1,607,168	6,500,995
Deferred tax assets, net	20(c)	11,727,635	47,778,385	10,904,851	44,110,122
TOTAL ASSETS		<u>4,320,518,149</u>	<u>17,601,790,940</u>	<u>3,616,326,545</u>	<u>14,628,040,875</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from banks and other financial institutions	14	81,881,578	333,585,549	37,232,817	150,606,745
Deposits from customers	15	2,533,330,855	10,320,789,903	2,074,680,943	8,392,084,414
Borrowings	16	829,821,864	3,380,694,274	794,430,317	3,213,470,632
Bonds payable	17	31,342,099	127,687,711	30,666,038	124,044,124
Subordinated debts	18	105,191,790	428,551,352	113,667,817	459,786,320
Lease liabilities	19	15,591,438	63,519,518	14,424,818	58,348,389
Income tax payable	20(b)	34,153,679	139,142,088	24,076,695	97,390,231
Provision for employee benefits	21	237,906	969,229	435,375	1,761,092
Other liabilities	22	14,627,852	59,593,871	7,873,601	31,848,716
Total liabilities		<u>3,646,179,061</u>	<u>14,854,533,495</u>	<u>3,097,488,421</u>	<u>12,529,340,663</u>
SHAREHOLDERS' EQUITY					
Share capital	23(a)	300,000,000	1,200,000,000	230,000,000	920,000,000
Retained earnings		349,600,939	1,430,490,098	285,224,840	1,163,897,093
Reserve fund	23(b)	-	-	3,151,952	12,773,175
Regulatory reserve	23(c)	24,738,149	100,536,219	461,332	1,778,127
Currency translation reserves		-	16,231,128	-	251,817
Total shareholders' equity		<u>674,339,088</u>	<u>2,747,257,445</u>	<u>518,838,124</u>	<u>2,098,700,212</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>4,320,518,149</u>	<u>17,601,790,940</u>	<u>3,616,326,545</u>	<u>14,628,040,875</u>

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 twelve-month period ended 31 December 2021

	Notes	For the twelve-month period ended 31 December 2021		For the twelve-month period ended 31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Interest income	24	505,592,378	2,056,749,794	430,325,525	1,754,437,165
Interest expense	25	(210,148,674)	(854,884,806)	(198,398,688)	(808,871,451)
Net interest income		295,443,704	1,201,864,988	231,926,837	945,565,714
Fees and commission income	26	8,617,690	35,056,763	6,877,558	28,039,804
Fees and commission expense	26	(118,009)	(480,061)	(163,152)	(665,171)
Net fees and commission income	26	8,499,681	34,576,702	6,714,406	27,374,633
Other income	27	9,798,130	39,858,793	9,005,549	36,715,623
Grant income		1,678,842	6,829,529	996,785	4,063,893
Net foreign exchange (loss)/gain		(1,587,373)	(6,457,433)	514,961	2,099,497
Total other income		9,889,599	40,230,889	10,517,295	42,879,013
Total interest, fees, commission and other income		313,832,984	1,276,672,579	249,158,538	1,015,819,360
Personnel expenses	28	(84,578,929)	(344,067,083)	(67,850,856)	(276,627,940)
Allowance for impairment losses	9	(14,707,859)	(59,831,570)	(23,411,178)	(95,447,373)
General and administrative expenses	29	(14,530,115)	(59,108,508)	(15,984,672)	(65,169,508)
Depreciation and amortisation	30	(6,378,059)	(25,945,944)	(6,570,058)	(26,786,126)
Profit before income tax		193,638,022	787,719,474	135,341,774	551,788,413
Income tax expense	20(a)	(38,137,058)	(155,141,552)	(26,512,787)	(108,092,633)
Net profit for the period		155,500,964	632,577,922	108,828,987	443,695,780
<i>Other comprehensive income:</i>					
Currency translation differences		-	15,979,311	-	(15,782,801)
Total comprehensive income for the period		155,500,964	648,557,233	108,828,987	427,912,979

Prasac Microfinance Institution Plc.

Condensed interim statement of profit or loss and other comprehensive income (continued) for the three-month period ended 31 December 2021

	Notes	For the three-month period ended 31 December 2021		For the three-month period ended 31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Interest income	24	132,220,819	538,403,175	115,520,949	469,477,137
Interest expense	25	(55,720,468)	(226,893,746)	(49,002,692)	(199,146,940)
Net interest income		76,500,351	311,509,429	66,518,257	270,330,197
Fees and commission income	26	1,674,603	6,818,983	2,322,229	9,437,539
Fees and commission expense	26	(20,353)	(82,877)	(21,082)	(85,677)
Net fees and commission income	26	1,654,250	6,736,106	2,301,147	9,351,862
Other income	27	2,135,770	8,696,855	2,252,894	9,155,761
Grant income		503,203	2,049,043	407,240	1,655,023
Net foreign exchange (loss)/gain		(454,593)	(1,851,103)	224,022	910,425
Total other income		2,184,380	8,894,795	2,884,156	11,721,209
Total interest, fees, commission and other income		80,338,981	327,140,330	71,703,560	291,403,268
Personnel expenses	28	(28,216,514)	(114,897,645)	(15,409,432)	(62,623,932)
Allowance for impairment losses	9	3,788,091	15,425,107	6,388,302	25,962,059
General and administrative expenses	29	(4,359,163)	(17,750,512)	(4,180,784)	(16,990,706)
Depreciation and amortisation	30	(1,456,023)	(5,928,926)	(1,681,381)	(6,833,132)
Profit before income tax		50,095,372	203,988,354	56,820,265	230,917,557
Income tax expense	20(a)	(9,947,622)	(40,506,717)	(10,772,134)	(43,777,953)
Net profit for the period		40,147,750	163,481,637	46,048,131	187,139,604
<i>Other comprehensive income:</i>					
Currency translation differences		-	(3,160,776)	-	(27,039,820)
Total comprehensive income for the period		40,147,750	160,320,861	46,048,131	160,099,784

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 twelve-month period ended 31 December 2021

	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 as at 1 January 2021 (restated)	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	-	-	155,500,964	632,577,922	-	-	-	-	-	-	155,500,964	632,577,922
Transfer to regulatory reserve	-	-	(24,276,817)	(98,758,092)	-	-	24,276,817	98,758,092	-	-	-	-
Transfer from reserve fund	-	-	3,151,952	12,773,175	(3,151,952)	(12,773,175)	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	15,979,311	-	15,979,311
Balance as at 31 December 2021	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
Balance as at 1 January 2020 (restated)	230,000,000	920,000,000	174,271,385	711,503,244	3,093,332	12,534,181	2,644,420	10,715,190	-	16,034,618	410,009,137	1,670,787,233
Net profit for the period	-	-	108,828,987	443,695,780	-	-	-	-	-	-	108,828,987	443,695,780
Transfer from regulatory reserve	-	-	2,183,088	8,937,063	-	-	(2,183,088)	(8,937,063)	-	-	-	-
Transfer to reserve fund	-	-	(58,620)	(238,994)	58,620	238,994	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	(15,782,801)	-	(15,782,801)
Balance as at 31 December 2020 (restated)	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

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

Prasac Microfinance Institution Plc.

Condensed interim statement of cash flows for the twelve-month period ended 31 December 2021

	Notes	For the twelve-month period ended 31 December 2021		For the twelve-month period ended 31 December 2020	
		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>(71,081,858)</u>	<u>(289,161,001)</u>	<u>(136,113,852)</u>	<u>(554,936,176)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(1,282,372)	(5,216,689)	(2,963,009)	(12,080,188)
Purchase of intangible assets		(43,735)	(177,914)	(474,334)	(1,933,860)
Investment in negotiable certificates of deposit		(147,430)	(599,745)	(147,561)	(601,606)
Proceed from Investment in negotiable certificates of deposit		148,377	603,598	147,991	603,359
Proceeds from disposal of property and equipment		111,776	454,705	10,890	44,399
Placement of capital guarantee		<u>(7,000,000)</u>	<u>(28,476,000)</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities		<u>(8,213,384)</u>	<u>(33,412,045)</u>	<u>(3,426,023)</u>	<u>(13,967,896)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		335,239,090	1,363,752,618	416,904,907	1,699,721,306
Repayments of borrowings		(295,976,678)	(1,204,033,126)	(353,817,494)	(1,442,513,923)
Proceeds from subordinated debts		17,296,512	70,362,211	49,264,141	200,849,903
Repayments of subordinated debts		(25,784,186)	(104,890,069)	(12,833,334)	(52,321,503)
Proceeds from bond issuance		-	-	30,535,399	124,492,822
Payments of lease liabilities		<u>(3,618,098)</u>	<u>(14,718,423)</u>	<u>(3,770,363)</u>	<u>(15,371,770)</u>
Net cash generated from financing activities		<u>27,156,640</u>	<u>110,473,211</u>	<u>126,283,256</u>	<u>514,856,835</u>
Net decrease in cash and cash equivalents		<u>(52,138,602)</u>	<u>(212,099,835)</u>	<u>(13,256,619)</u>	<u>(54,047,237)</u>
Cash and cash equivalents at beginning of the period		417,065,787	1,687,031,108	430,322,406	1,753,563,804
Currency translation differences		<u>-</u>	<u>11,782,079</u>	<u>-</u>	<u>(12,485,459)</u>
Cash and cash equivalents at end of the period	6	<u>364,927,185</u>	<u>1,486,713,352</u>	<u>417,065,787</u>	<u>1,687,031,108</u>
Significant non-cash transaction from financing activities					
Conversion of retained earnings to share capital		<u>70,000,000</u>	<u>280,000,000</u>	<u>-</u>	<u>-</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 twelve-month periods ended 31 December 2021

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 31 December 2021, the Company had 9,330 employees (31 December 2020: 9,042 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 interim financial position and financial performance since the last annual financial statements as at and for the year ended 31 December 2020.

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

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

2. Basis of preparation (continued)

(b) Functional and presentation 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 and presentation 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.

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

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.

The calculation of the ECL in this current environment is subject to significant uncertainty. Management provides its best estimate on the possible outcomes of Covid-19 on the Company; however, this estimate may move materially as events unfold. Consequently, this number should not be seen as firm guidance or a forecast as to the final financial impacts expected. In the event the impacts are more severe or prolonged than anticipated in the scenarios, this will have a corresponding impact on the ECL, the financial position and performance of the Company.

The number of restructured loans has increased due to the impact from Covid-19 pandemic. On 28 December 2021, the NBC issued a new Circular, No. B7-021-2314 CL on Classification and Provisioning Requirement on Restructure Loans, which aims at phasing out the forbearance period for the existing restructured loans and phasing the classification and provisioning arrangements complying with the current regulation, Prakas No.B7-017-344 dated 01 December 2017 on Credit Risk Grading and Impairment Provisioning. In this regard, all restructured loans by 31 December 2021 shall be classified and provisioned based on the requirements under this circular. For loans that were still in the assessment period, they shall be kept at the same classification as before the restructured terms of contract.

The Company has reviewed this new Circular and in the view that the Company’s existing assessment on credit risk is aligned with the requirement mentioned in the above circular in preparing these financial statements.

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 2020.

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods 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.

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

The Company uses the following exchange rates:

			Closing rate	Average rate twelve-month	Average rate three-month
31 December 2021	USD1	=	KHR 4,074	KHR 4,068	KHR 4,072
31 December 2020	USD1	=	KHR 4,045	KHR 4,077	KHR 4,064

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 businesses.

6. Cash on hand

	31 December 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Head office	37,795,735	153,979,824	43,578,608	176,275,469
Branches	184,569,664	751,936,812	116,999,478	473,262,889
	<u>222,365,399</u>	<u>905,916,636</u>	<u>160,578,086</u>	<u>649,538,358</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

6. Cash on hand (continued)

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

	31 December 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Cash on hand	222,365,399	905,916,636	160,578,086	649,538,358
<i>Balances with the NBC</i>				
Current accounts	139,856,737	569,776,347	87,265,227	352,987,843
Term deposits (original maturity up to three months)	373,638	1,522,201	165,207,294	668,263,504
<i>Balances with other banks</i>				
Current accounts	2,240,993	9,129,805	3,959,939	16,017,953
Savings accounts	90,418	368,363	55,241	223,450
	<u>364,927,185</u>	<u>1,486,713,352</u>	<u>417,065,787</u>	<u>1,687,031,108</u>

7. Balances with the National Bank of Cambodia

	Note	31 December 2021		31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Current accounts	(a)	139,856,737	569,776,347	87,265,227	352,987,843
Term deposits (original maturity up to three months)	(a)	373,638	1,522,201	165,207,294	668,263,504
Term deposits (original maturity of more than three months)	(a)	148,184	603,702	148,888	602,252
Capital guarantee	(b)	30,000,000	122,220,000	23,000,000	93,035,000
Reserve requirement	(c)	198,040,807	806,818,247	162,733,990	658,258,990
		<u>368,419,366</u>	<u>1,500,940,497</u>	<u>438,355,399</u>	<u>1,773,147,589</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

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 0.04% to 1.63% (2020: from 0.02% to 1.60%) and more than three months at annual interest rates ranging from 0.13% to 1.91% (2020: from 0.23% to 1.93%) during the period.

(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 7 June 2021, the Company increased the capital guarantee to USD30 million, following the increase in share capital, which was approved by the NBC on 31 May 2021. 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 at 0.04% (2020: 0.09%) during the period.

(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 11 January 2022, the Company transferred an additional sum of USD6,471,930 to their reserve requirement account with NBC to maintain the minimum reserve requirement to comply with the above Prakas.

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

8. Balances with other banks

	31 December 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Current accounts	2,240,993	9,129,805	3,959,939	16,017,953
Savings accounts	90,418	368,363	55,241	223,450
Gross balances with other banks	2,331,411	9,498,168	4,015,180	16,241,403
Allowance for impairment loss	(23,314)	(94,981)	(40,151)	(162,411)
	<u>2,308,097</u>	<u>9,403,187</u>	<u>3,975,029</u>	<u>16,078,992</u>

Current accounts earn annual interest rate up to 0.75% (31 December 2020: 0.00% to 1.00%) and savings accounts earn annual interest rates ranging from 0.00% to 0.20% (31 December 2020: 0.00% to 1.00%) during the period.

9. Loans to customers

Loans to customers are categorised as follows:

	31 December 2021				Total KHR'000 equivalent (Note 4)
	Stage 1 USD	Stage 2 USD	Stage 3 USD	USD	
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

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

9. Loans to customers (continued)

Loans to customers are categorised as follows: (continued)

	31 December 2020				
	Stage 1	Stage 2	Stage 3	Total	
	USD	USD	USD	USD	KHR'000 equivalent (Note 4)
Individual loans	2,883,452,590	50,137,301	39,973,285	2,973,563,176	12,028,063,047
Small and medium enterprises	45,660,603	1,542,633	1,530,383	48,733,619	197,127,489
Staff loans	8,124,752	-	23,603	8,148,355	32,960,096
Group loans	353,871	7,252	14,456	375,579	1,519,217
	2,937,591,816	51,687,186	41,541,727	3,030,820,729	12,259,669,849
Unamortised loan processing fees	(28,210,045)	(339,268)	(309,478)	(28,858,791)	(116,733,810)
	2,909,381,771	51,347,918	41,232,249	3,001,961,938	12,142,936,039
Accrued interest receivable	22,771,402	544,924	2,915,163	26,231,489	106,106,373
	2,932,153,173	51,892,842	44,147,412	3,028,193,427	12,249,042,412
Allowance for impairment losses	(11,262,106)	(12,954,251)	(25,397,136)	(49,613,493)	(200,686,579)
	2,920,891,067	38,938,591	18,750,276	2,978,579,934	12,048,355,833

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

9. Loans to customers (continued)

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

	For the twelve-month period ended				For the three-month period ended			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	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	14,722,763	59,892,200	23,380,601	95,322,710	(3,756,066)	(15,294,701)	(6,393,698)	(25,983,989)
Balances with other banks	(16,837)	(68,493)	29,118	118,715	(32,977)	(134,283)	6,240	25,360
Other assets	1,933	7,863	1,459	5,948	952	3,877	(844)	(3,430)
	<u>14,707,859</u>	<u>59,831,570</u>	<u>23,411,178</u>	<u>95,447,373</u>	<u>(3,788,091)</u>	<u>(15,425,107)</u>	<u>(6,388,302)</u>	<u>(25,962,059)</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

9. Loans to customers (continued)

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

	For the twelve-month period ended				For the three-month period ended			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	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 beginning of the period	49,613,493	200,686,579	26,232,892	106,899,034	68,092,322	277,748,581	56,007,191	229,629,483
Allowance for impairment losses during the period	14,722,763	59,892,200	23,380,601	95,322,710	(3,756,066)	(15,294,701)	(6,393,698)	(25,983,989)
Written-off during the period	(7,545,824)	(30,696,412)	-	-	(7,545,824)	(30,726,595)	-	-
Currency translation differences	-	1,481,853	-	(1,535,165)	-	(363,065)	-	(2,958,915)
Balance at the end of the period	<u>56,790,432</u>	<u>231,364,220</u>	<u>49,613,493</u>	<u>200,686,579</u>	<u>56,790,432</u>	<u>231,364,220</u>	<u>49,613,493</u>	<u>200,686,579</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

9. Loans to customers (continued)

Further analyses of loans to customers are set out below:

(a) By security

	31 December 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Secured</i>				
Real estate (hard title)	1,649,002,901	6,718,037,818	1,263,330,700	5,110,172,683
Chattel	189,467	771,887	36,983	149,596
Deposit hold-out	2,530,818	10,310,554	1,710,744	6,919,961
Others	640,271	2,608,465	996,268	4,029,904
<i>Unsecured (*)</i>				
Real estate (soft title)	2,094,535,205	8,533,136,427	1,759,719,077	7,118,063,666
Chattel	363,670	1,481,591	313,910	1,269,768
Others	1,096,093	4,465,481	2,085,745	8,436,834
	<u>3,748,358,425</u>	<u>15,270,812,223</u>	<u>3,028,193,427</u>	<u>12,249,042,412</u>

(*) This refer to the loan that collateral are included soft title deed and no collateral which the management believe that it has high risk and treated it as unsecured loan.

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

	31 December 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Residency</i>				
Residents	<u>3,748,358,425</u>	<u>15,270,812,223</u>	<u>3,028,193,427</u>	<u>12,249,042,412</u>
<i>Relationship</i>				
External customers	3,741,058,685	15,241,073,082	3,020,051,028	12,216,106,408
Staff loans	<u>7,299,740</u>	<u>29,739,141</u>	<u>8,142,399</u>	<u>32,936,004</u>
	<u>3,748,358,425</u>	<u>15,270,812,223</u>	<u>3,028,193,427</u>	<u>12,249,042,412</u>
<i>Currency</i>				
USD	3,286,440,759	13,388,959,652	2,638,558,932	10,672,970,880
KHR	452,563,732	1,843,744,644	365,326,565	1,477,745,955
THB	<u>9,353,934</u>	<u>38,107,927</u>	<u>24,307,930</u>	<u>98,325,577</u>
	<u>3,748,358,425</u>	<u>15,270,812,223</u>	<u>3,028,193,427</u>	<u>12,249,042,412</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

9. Loans to customers (continued)

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

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

	31 December 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Industry sector</i>				
Trade and commerce	1,006,083,731	4,098,785,121	745,402,429	3,015,152,826
Service	650,895,034	2,651,746,369	513,552,045	2,077,318,022
Real-estate	536,199,895	2,184,478,372	421,594,777	1,705,350,873
Agriculture	445,927,277	1,816,707,726	408,192,523	1,651,138,756
Home improvement	453,670,525	1,848,253,719	346,941,003	1,403,376,357
Auto loan	299,573,327	1,220,461,734	281,223,077	1,137,547,346
Transportation	249,173,560	1,015,133,083	221,905,561	897,607,994
Manufacturing	45,502,628	185,377,706	34,613,559	140,011,846
Construction	39,316,458	160,175,250	29,420,267	119,004,980
Personal	22,015,990	89,693,143	25,348,186	102,533,412
	<u>3,748,358,425</u>	<u>15,270,812,223</u>	<u>3,028,193,427</u>	<u>12,249,042,412</u>

10. Other assets

	31 December 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Prepayments	1,139,886	4,643,896	767,359	3,103,967
Deposits	611,637	2,491,809	513,266	2,076,161
Long-term investment	28,167	114,752	28,167	113,936
Others	48,512	197,638	42,604	172,333
	1,828,202	7,448,095	1,351,396	5,466,397
Allowance for impairment losses	<u>(12,233)</u>	<u>(49,837)</u>	<u>(10,300)</u>	<u>(41,664)</u>
	<u>1,815,969</u>	<u>7,398,258</u>	<u>1,341,096</u>	<u>5,424,733</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

11. Property and equipment

	For the twelve-month period ended 31 December 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 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	84,166,960
Additions	190,187	97,500	-	365,373	5,674	17,716	605,922	1,282,372	5,216,689
Disposals/write-offs	(55,778)	(283,171)	-	(165,606)	(6,263)	-	-	(510,818)	(2,078,008)
Transfers	27,085	-	-	567,514	18,341	-	(612,940)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	608,052
Balance at the end of the period	<u>5,517,131</u>	<u>2,851,723</u>	<u>360,678</u>	<u>9,797,701</u>	<u>2,419,207</u>	<u>344,072</u>	<u>288,696</u>	<u>21,579,208</u>	<u>87,913,693</u>
Less: Accumulated depreciation									
Balance at beginning of the period	4,222,332	2,315,084	349,819	6,215,744	1,788,910	252,962	-	15,144,851	61,260,921
Depreciation for the period	413,709	273,348	3,588	1,184,888	169,500	27,398	-	2,072,431	8,430,649
Disposals/write-offs	(53,862)	(274,712)	-	(164,755)	(6,263)	-	-	(499,592)	(2,032,340)
Currency translation differences	-	-	-	-	-	-	-	-	448,638
Balance at the end of the period	<u>4,582,179</u>	<u>2,313,720</u>	<u>353,407</u>	<u>7,235,877</u>	<u>1,952,147</u>	<u>280,360</u>	<u>-</u>	<u>16,717,690</u>	<u>68,107,868</u>
Carrying amounts									
Balance at the end 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>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

11. Property and equipment (continued)

	For the twelve-month period ended 31 December 2020								
	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 beginning of the period	4,871,906	2,917,904	354,528	7,171,805	2,297,202	417,766	86,160	18,117,271	73,827,879
Additions	469,993	137,490	6,150	668,756	37,107	-	1,643,513	2,963,009	12,080,188
Disposals/write-offs	(34,572)	(18,000)	-	(104,575)	(24,069)	(91,410)	-	(272,626)	(1,111,496)
Transfers	48,310	-	-	1,294,434	91,215	-	(1,433,959)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	(629,611)
Balance at the end of the period	<u>5,355,637</u>	<u>3,037,394</u>	<u>360,678</u>	<u>9,030,420</u>	<u>2,401,455</u>	<u>326,356</u>	<u>295,714</u>	<u>20,807,654</u>	<u>84,166,960</u>
Less: Accumulated depreciation									
Balance at beginning of the period	3,796,688	2,039,937	346,727	5,164,683	1,622,584	240,365	-	13,210,984	53,834,760
Depreciation for the period	458,101	293,147	3,092	1,151,216	189,564	47,347	-	2,142,467	8,734,838
Disposals/write-offs	(32,457)	(18,000)	-	(100,155)	(23,238)	(34,750)	-	(208,600)	(850,462)
Currency translation differences	-	-	-	-	-	-	-	-	(458,215)
Balance at the end of the period	<u>4,222,332</u>	<u>2,315,084</u>	<u>349,819</u>	<u>6,215,744</u>	<u>1,788,910</u>	<u>252,962</u>	<u>-</u>	<u>15,144,851</u>	<u>61,260,921</u>
Carrying amounts									
Balance at the end of the period	<u>1,133,305</u>	<u>722,310</u>	<u>10,859</u>	<u>2,814,676</u>	<u>612,545</u>	<u>73,394</u>	<u>295,714</u>	<u>5,662,803</u>	<u>22,906,039</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

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 twelve-month period ended 31 December 2021			
	Office space USD	ATM space USD	Total USD	KHR'000 equivalent (Note 4)
Cost				
Balance at beginning of the period	25,638,528	717,053	26,355,581	106,608,325
Additions	4,689,862	94,856	4,784,718	19,464,233
Currency translation differences	-	-	-	793,020
Balance at the end of the period	<u>30,328,390</u>	<u>811,909</u>	<u>31,140,299</u>	<u>126,865,578</u>
Less: Accumulated depreciation				
Balance at beginning of the period	10,579,042	454,360	11,033,402	44,630,111
Depreciation for the period	3,835,929	173,325	4,009,254	16,309,647
Currency translation differences	-	-	-	344,022
Balance at the end of the period	<u>14,414,971</u>	<u>627,685</u>	<u>15,042,656</u>	<u>61,283,780</u>
Carrying amounts				
Balance at the end of the period	<u>15,913,419</u>	<u>184,224</u>	<u>16,097,643</u>	<u>65,581,798</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

12. Right-of-use assets (continued)

	For the twelve-month period ended 31 December 2020			
	Office space USD	ATM space USD	Total USD	KHR'000 equivalent (Note 4)
Cost				
Balance at beginning of the period	20,863,158	500,461	21,363,619	87,056,750
Additions	4,822,970	245,844	5,068,814	20,665,555
Expirations/terminations	(47,600)	(29,252)	(76,852)	(313,326)
Currency translation differences	-	-	-	(800,654)
Balance at the end of the period	<u>25,638,528</u>	<u>717,053</u>	<u>26,355,581</u>	<u>106,608,325</u>
Less: Accumulated depreciation				
Balance at beginning of the period	6,722,452	280,902	7,003,354	28,538,670
Depreciation for the period	3,887,081	173,458	4,060,539	16,554,818
Expirations/terminations	(30,491)	-	(30,491)	(124,312)
Currency translation differences	-	-	-	(339,065)
Balance at the end of the period	<u>10,579,042</u>	<u>454,360</u>	<u>11,033,402</u>	<u>44,630,111</u>
Carrying amounts				
Balance at the end of the period	<u>15,059,486</u>	<u>262,693</u>	<u>15,322,179</u>	<u>61,978,214</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

13. Intangible assets

	For the twelve-month period ended 31 December 2021			
	Computer software USD	Core banking system license USD	Total USD	KHR'000 equivalent (Note 4)
Cost				
Balance at beginning of the period	1,220,319	2,891,587	4,111,906	16,632,661
Additions	43,735	-	43,735	177,914
Currency translation differences	-	-	-	119,506
Balance at the end of the period	<u>1,264,054</u>	<u>2,891,587</u>	<u>4,155,641</u>	<u>16,930,081</u>
Less: Accumulated amortisation				
Balance at beginning of the period	817,815	1,686,923	2,504,738	10,131,666
Amortisation for the period	108,022	188,352	296,374	1,205,648
Currency translation differences	-	-	-	74,416
Balance at the end of the period	<u>925,837</u>	<u>1,875,275</u>	<u>2,801,112</u>	<u>11,411,730</u>
Carrying amounts				
Balance at the end of the period	<u>338,217</u>	<u>1,016,312</u>	<u>1,354,529</u>	<u>5,518,351</u>
	For the twelve-month period ended 31 December 2020			
	Computer software USD	Core banking system license USD	Total USD	KHR'000 equivalent (Note 4)
Cost				
Balance at beginning of the period	1,121,820	2,515,752	3,637,572	14,823,106
Additions	98,499	375,835	474,334	1,933,860
Currency translation differences	-	-	-	(124,305)
Balance at the end of the period	<u>1,220,319</u>	<u>2,891,587</u>	<u>4,111,906</u>	<u>16,632,661</u>
Less: Accumulated amortisation				
Balance at beginning of the period	720,398	1,417,288	2,137,686	8,711,071
Amortisation for the period	97,417	269,635	367,052	1,496,470
Currency translation differences	-	-	-	(75,875)
Balance at the end of the period	<u>817,815</u>	<u>1,686,923</u>	<u>2,504,738</u>	<u>10,131,666</u>
Carrying amounts				
Balance at the end of the period	<u>402,504</u>	<u>1,204,664</u>	<u>1,607,168</u>	<u>6,500,995</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

14. Deposits from banks and other financial institutions

	31 December 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Term deposits	77,619,435	316,221,578	36,497,989	147,634,366
Savings deposits	4,262,143	17,363,971	734,828	2,972,379
	<u>81,881,578</u>	<u>333,585,549</u>	<u>37,232,817</u>	<u>150,606,745</u>

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

(a) By relationship

	31 December 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Non-related parties	62,727,192	255,550,580	37,232,817	150,606,745
Related parties	19,154,386	78,034,969	-	-
	<u>81,881,578</u>	<u>333,585,549</u>	<u>37,232,817</u>	<u>150,606,745</u>

(b) By range of annual interest rates

	2021	2020
Term deposits		
USD	2.00% - 5.25%	2.00% - 5.50%
KHR	N/A	2.00% - 5.50%
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 twelve-month periods ended 31 December 2021

15. Deposits from customers

	31 December 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Term deposits	2,397,228,295	9,766,308,074	1,956,078,958	7,912,339,385
Savings deposits	136,102,560	554,481,829	118,601,985	479,745,029
	<u>2,533,330,855</u>	<u>10,320,789,903</u>	<u>2,074,680,943</u>	<u>8,392,084,414</u>

Deposits from customers are further analysed as follows:

(a) By relationship

	31 December 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Non-related parties	2,481,756,245	10,110,674,942	2,042,197,190	8,260,687,634
Related parties	51,574,610	210,114,961	32,483,753	131,396,780
	<u>2,533,330,855</u>	<u>10,320,789,903</u>	<u>2,074,680,943</u>	<u>8,392,084,414</u>

b) By range of annual interest rates

	2021	2020
Term deposits		
USD	0.75% - 8.25%	3.50% - 7.25%
KHR	2.00% - 10.15%	3.50% - 7.25%
THB	0.10% - 8.00%	0.10% (for existing customer only)
Savings deposits		
USD	0.00% - 3.00%	1.50%-2.5%
KHR	0.00% - 3.00%	1.50%-2.5%
THB	0.00% - 0.10%	0.10% (for existing customer only)

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

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

	31 December 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Non-related parties	715,840,327	2,916,333,492	708,215,447	2,864,731,483
Related parties	113,981,537	464,360,782	86,214,870	348,739,149
	<u>829,821,864</u>	<u>3,380,694,274</u>	<u>794,430,317</u>	<u>3,213,470,632</u>

b) By range of annual interest rates

	2021	2020
USD	2.00% - 6.98%	2.00% - 7.15%
KHR	2.00% - 7.50%	2.00% - 7.50%
THB	8.37% - 8.84%	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 31 December 2021, the carrying value of the bonds payable is USD31,342,099 (equivalent to KHR127.69 billion) (31 December 2020: USD30,666,038 equivalent to KHR124.04 billion). During the twelve-month period ended 31 December 2021, the Company incurred interest expense on the issued bonds amounting to USD2,601,274 (equivalent to KHR10.6 billion) (31 December 2020: USD1,814,068 equivalent to KHR7.4 billion) (Note 25).

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

18. Subordinated debts

		31 December 2021		31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Subordinated debts	(a)	105,191,790	428,551,352	98,814,321	399,703,930
Trust fund	(b)	-	-	14,853,496	60,082,390
		<u>105,191,790</u>	<u>428,551,352</u>	<u>113,667,817</u>	<u>459,786,320</u>

(a) Subordinated debts

These are subordinated debts from foreign lenders, non-related parties, amounting to USD54,999,653 (equivalent to KHR224.1 billion) (31 December 2020: USD48,757,974 equivalent to KHR197.2 billion) and shareholder amounting to USD50,192,137 (equivalent to KHR204.5 billion) (31 December 2020: USD50,056,347 equivalent to KHR202.5 billion), which are repayable based on the agreed schedules stated in each loan agreements. 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 rate is ranging from 6.98% to 10.47% (2020: 6.98% to 10.47%) during the period.

(b) Trust fund

		31 December 2021		31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Royal Government of Cambodia ("RGC")		-	-	11,280,672	45,630,317
Cambodia Rural Development Foundation ("CRDF")		-	-	3,572,824	14,452,073
		<u>-</u>	<u>-</u>	<u>14,853,496</u>	<u>60,082,390</u>

The Company fully settled the outstanding balances of trust fund to RGC and CRDF on 27 December 2021.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

19. Lease liabilities

	31 December 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Maturity analysis – contractual undiscounted cash flows				
Less than one year	4,494,357	18,310,009	4,926,938	19,929,464
One to five years	11,814,043	48,130,411	13,233,200	53,528,294
More than five years	2,713,396	11,054,377	1,075,061	4,348,622
Total undiscounted lease liabilities	<u>19,021,796</u>	<u>77,494,797</u>	<u>19,235,199</u>	<u>77,806,380</u>
Present value of lease liabilities				
Current	3,407,054	13,880,338	3,640,367	14,725,285
Non-current	12,184,384	49,639,180	10,784,451	43,623,104
	<u>15,591,438</u>	<u>63,519,518</u>	<u>14,424,818</u>	<u>58,348,389</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

19. Lease liabilities (continued)

Amounts recognised in profit or loss

	For the twelve-month period ended				For the three-month period ended			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	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	815,242	3,316,404	633,895	2,584,390	226,265	921,351	201,898	820,515
Interest on lease liabilities	1,703,815	6,931,119	1,134,113	4,623,779	905,865	3,688,682	289,539	1,176,686
	<u>2,519,057</u>	<u>10,247,523</u>	<u>1,768,008</u>	<u>7,208,169</u>	<u>1,132,130</u>	<u>4,610,033</u>	<u>491,437</u>	<u>1,997,201</u>

Amounts recognised in condensed interim statement of cash flows

	For the twelve-month period ended				For the three-month period ended			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 Equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Total cash outflows for leases:								
Principal portion	(3,618,098)	(14,718,423)	(3,770,363)	(15,371,770)	(603,073)	(2,455,713)	(972,690)	(3,953,012)
Interest portion	(1,703,815)	(6,931,119)	(1,134,113)	(4,623,779)	(905,865)	(3,688,682)	(289,539)	(1,176,686)
	<u>(5,321,913)</u>	<u>(21,649,542)</u>	<u>(4,904,476)</u>	<u>(19,995,549)</u>	<u>(1,508,938)</u>	<u>(6,144,395)</u>	<u>(1,262,229)</u>	<u>(5,129,698)</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

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.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

20. Income tax (continued)

(a) Income tax expense (continued)

	For the twelve-month period ended				For the three-month period ended			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	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	39,678,014	161,410,161	28,775,681	117,318,452	9,358,901	38,109,445	8,712,713	35,408,466
Tax incentive on bond listing	(718,172)	(2,921,524)	(624,432)	(2,545,809)	(139,077)	(566,322)	(624,432)	(2,537,692)
Current tax	38,959,842	158,488,637	28,151,249	114,772,643	9,219,824	37,543,123	8,088,281	32,870,774
Deferred tax	(822,784)	(3,347,085)	(1,638,462)	(6,680,010)	727,798	2,963,594	2,683,853	10,907,179
	<u>38,137,058</u>	<u>155,141,552</u>	<u>26,512,787</u>	<u>108,092,633</u>	<u>9,947,622</u>	<u>40,506,717</u>	<u>10,772,134</u>	<u>43,777,953</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

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 twelve-month period ended				For the three-month period ended			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	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	193,638,022	787,719,474	135,341,774	551,788,413	50,095,372	203,988,354	56,820,265	230,917,557
Income tax expense at applicable tax rate of 20%	38,727,604	157,543,893	27,068,355	110,357,683	10,019,074	40,797,669	11,364,053	46,183,511
Non-deductible expenses	127,626	519,183	68,864	280,759	67,625	275,370	32,513	132,134
Tax incentive on bond listing	(718,172)	(2,921,524)	(624,432)	(2,545,809)	(139,077)	(566,322)	(624,432)	(2,537,692)
	<u>38,137,058</u>	<u>155,141,552</u>	<u>26,512,787</u>	<u>108,092,633</u>	<u>9,947,622</u>	<u>40,506,717</u>	<u>10,772,134</u>	<u>43,777,953</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

20. Income tax (continued)

(b) Income tax payable

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

	For the twelve-month period ended				For the three-month period ended			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	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 beginning of the period	24,076,695	97,390,231	23,414,889	95,415,673	26,322,967	107,371,382	17,292,738	70,900,226
Current income tax at applicable tax rate	39,678,014	161,410,161	28,775,681	117,318,452	9,358,901	38,109,445	8,712,713	35,408,466
Tax incentive on bond listing	(718,172)	(2,921,524)	(624,432)	(2,545,809)	(139,077)	(566,322)	(624,432)	(2,537,692)
Income tax paid	(28,882,858)	(117,495,466)	(27,489,443)	(112,074,458)	(1,389,112)	(5,656,464)	(1,304,324)	(5,300,773)
Currency translation differences	-	758,686	-	(723,627)	-	(115,953)	-	(1,079,996)
Balance at the end of the period	<u>34,153,679</u>	<u>139,142,088</u>	<u>24,076,695</u>	<u>97,390,231</u>	<u>34,153,679</u>	<u>139,142,088</u>	<u>24,076,695</u>	<u>97,390,231</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

20. Income tax (continued)

(c) Deferred tax assets, net

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

	31 December 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Unamortised loan fees	6,968,122	28,388,129	5,771,758	23,346,761
Allowance for impairment losses	3,510,062	14,299,992	4,506,554	18,229,011
Unused annual leave	440,040	1,792,723	382,077	1,545,501
Provision for employee benefits	47,581	193,845	87,075	352,218
Accrued interest receivable	5,696	23,206	13,934	56,363
Right-of-use assets and lease liabilities	122,870	500,572	63,709	257,703
Unamortised borrowing fees	282,493	1,150,876	172,950	699,583
Property, equipment and intangible assets	(242,527)	(988,055)	(219,976)	(889,803)
Foreign exchange differences	593,298	2,417,097	126,770	512,785
Deferred tax assets, net	<u>11,727,635</u>	<u>47,778,385</u>	<u>10,904,851</u>	<u>44,110,122</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

21. Provision for employee benefits

	For the twelve-month period ended				For the three-month period ended			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	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 beginning of period	435,375	1,761,092	74,562	303,840	1,502,962	6,130,582	1,383,837	5,673,732
Recognised in profit or loss	3,925,784	15,970,089	3,289,019	13,409,330	1,116,888	4,547,968	757,812	3,079,748
Payments during the period	(4,123,253)	(16,773,393)	(2,928,206)	(11,938,296)	(2,381,944)	(9,699,276)	(1,706,274)	(6,934,298)
Currency translation differences	-	11,441	-	(13,782)	-	(10,045)	-	(58,090)
Balance at end of the period	<u>237,906</u>	<u>969,229</u>	<u>435,375</u>	<u>1,761,092</u>	<u>237,906</u>	<u>969,229</u>	<u>435,375</u>	<u>1,761,092</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

22. Other liabilities

	31 December 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Accrued bonus and incentive	6,329,705	25,787,218	1,000,000	4,045,000
Accrued expenses	2,832,493	11,539,576	2,237,474	9,050,582
Withholding tax payable	1,360,438	5,542,424	1,208,570	4,888,666
Account payables	1,913,161	7,794,218	2,096,877	8,481,867
Tax on salary	2,186,046	8,905,951	1,326,675	5,366,400
Others	6,009	24,484	4,005	16,201
	<u>14,627,852</u>	<u>59,593,871</u>	<u>7,873,601</u>	<u>31,848,716</u>

23. Equity and reserves

(a) Share capital

On 12 May 2021, the Company requested to the National Bank of Cambodia (“NBC”) to increase its share capital from USD230,000,000 to USD300,000,000 by way of capitalising the retained earnings. This request was approved by the NBC on 31 May 2021. The Memorandum and Articles of Association of the Company had been updated to reflect this change and was endorsed by the MoC on 9 June 2021.

All 300,000,000 ordinary shares are registered, issued, and paid-up with a par value of KHR4,000 per share.

On 6 September 2021, the shareholders have reached an agreement and resolved to transfer the 30% of the Company’s ordinary share, collectively, from LOLC International Private Limited (“LOLC”), The Bank of East Asia, Limited (“BEA”) and PRASAC Staff Company Limited (“PSCo”) to Kookmin Bank Co., Ltd (“KB”) and Kookmin Bank Cambodia Plc (“KBC”). On 12 October 2021, the Company obtained approval from the National Bank of Cambodia (“NBC”) regarding this capital transfer. The Memorandum and Articles of Association of the Company had been updated to reflect this change and was endorsed by the MoC on 19 October 2021.

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

23. Equity and reserves (continued)

The details of shareholding are as follows:

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

	31 December 2020		
	USD	KHR'000 equivalent (Note 4)	%
KB	161,000,000	644,000,000	70.0%
LOLC	48,300,000	193,200,000	21.0%
BEA	14,490,000	57,960,000	6.3%
PSCo	6,210,000	24,840,000	2.7%
	<u>230,000,000</u>	<u>920,000,000</u>	<u>100%</u>

Abbreviation:

KB:	Kookmin Bank Co.Ltd
KBC	Kookmin Bank Cambodia Plc
LOLC:	LOLC INTERNATIONAL PRIVATE LIMITED
BEA:	The Bank of East Asia, Limited
PSCo:	PRASAC Staff Company Limited

(b) Reserve fund

Based on the loan agreement signed between the Company and Instituto De Crédito Oficial (“ICO”) of the Kingdom of Spain on 8 December 2008, during the life of the loan the Company shall undertake to establish and keep a reserve fund for capital strengthening by transferring its net profit of each year, an amount equivalent to a 3.5% of the outstanding principal of the loans with ICO. On 16 October 2021, the maturity date of this borrowing, the Company fully settled the outstanding balance. Subsequently, the Company transferred the reserve fund, that had been established for this borrowing, back to retained earnings.

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

23. Equity and reserves (continued)

(c) Regulatory reserve

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

	For the twelve-month period ended				For the three-month period ended			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)	USD	KHR'000 Equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Balance at beginning of the period	461,332	1,778,127	2,644,420	10,715,190	4,028,871	16,283,741	-	-
Transfer from/(to) retained earnings	24,276,817	98,758,092	(2,183,088)	(8,937,063)	20,709,278	84,252,478	461,332	1,778,127
Balance at end of the period	<u>24,738,149</u>	<u>100,536,219</u>	<u>461,332</u>	<u>1,778,127</u>	<u>24,738,149</u>	<u>100,536,219</u>	<u>461,332</u>	<u>1,778,127</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

24. Interest income

	For the twelve-month period ended				For the three-month period ended			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	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	505,355,683	2,055,786,918	430,029,195	1,753,229,028	132,184,399	538,254,874	115,483,731	469,325,882
Group loans	40,981	166,711	87,151	355,314	7,606	30,971	17,711	71,978
Balances with other banks	154,204	627,302	63,873	260,410	24,475	99,662	10,672	43,372
Balances with NBC	41,510	168,863	145,306	592,413	4,339	17,668	8,835	35,905
	<u>505,592,378</u>	<u>2,056,749,794</u>	<u>430,325,525</u>	<u>1,754,437,165</u>	<u>132,220,819</u>	<u>538,403,175</u>	<u>115,520,949</u>	<u>469,477,137</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

25. Interest expense

	For the twelve-month period ended				For the three-month period ended			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	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	144,469,925	587,703,654	130,423,290	531,735,753	38,876,038	158,303,227	33,802,261	137,372,388
Borrowings	47,986,130	195,207,577	55,047,225	224,427,536	12,017,927	48,936,999	11,380,165	46,248,991
Subordinated debts	11,255,052	45,785,552	7,489,842	30,536,086	2,832,908	11,535,601	2,329,474	9,466,982
Bonds payables	2,601,274	10,581,983	1,814,068	7,395,955	647,662	2,637,280	660,962	2,686,150
Deposits from banks and other financial institutions	2,132,478	8,674,921	2,490,150	10,152,342	440,068	1,791,957	540,291	2,195,743
Lease liabilities	1,703,815	6,931,119	1,134,113	4,623,779	905,865	3,688,682	289,539	1,176,686
	<u>210,148,674</u>	<u>854,884,806</u>	<u>198,398,688</u>	<u>808,871,451</u>	<u>55,720,468</u>	<u>226,893,746</u>	<u>49,002,692</u>	<u>199,146,940</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

26. Net fees and commission income

	For the twelve-month period ended				For the three-month period ended			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	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	7,900,268	32,138,290	6,004,101	24,478,720	1,503,635	6,122,802	2,107,242	8,563,831
Local remittance services income	717,422	2,918,473	873,457	3,561,084	170,968	696,181	214,987	873,708
Fees and commission income	8,617,690	35,056,763	6,877,558	28,039,804	1,674,603	6,818,983	2,322,229	9,437,539
Bank charges on borrowings	(116,689)	(474,691)	(163,152)	(665,171)	(19,858)	(80,862)	(21,082)	(85,677)
Others	(1,320)	(5,370)	-	-	(495)	(2,015)	-	-
Fees and commission expense	(118,009)	(480,061)	(163,152)	(665,171)	(20,353)	(82,877)	(21,082)	(85,677)
Net fees and commission income	8,499,681	34,576,702	6,714,406	27,374,633	1,654,250	6,736,106	2,301,147	9,351,862

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

27. Other income

	For the twelve-month period ended				For the three-month period ended			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	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	5,643,476	22,957,660	4,585,539	18,695,243	1,128,631	4,595,785	1,159,778	4,713,338
Recovery of loan written-off	3,038,061	12,358,832	3,296,548	13,440,026	724,171	2,948,824	889,071	3,613,185
Others	1,116,593	4,542,301	1,123,462	4,580,354	282,968	1,152,246	204,045	829,238
	<u>9,798,130</u>	<u>39,858,793</u>	<u>9,005,549</u>	<u>36,715,623</u>	<u>2,135,770</u>	<u>8,696,855</u>	<u>2,252,894</u>	<u>9,155,761</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

28. Personnel expenses

	For the twelve-month period ended				For the three-month period ended			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	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	78,667,732	320,020,334	62,684,803	255,565,942	27,349,852	111,368,597	15,006,439	60,986,168
Employee benefits	3,925,784	15,970,089	3,289,019	13,409,330	1,116,888	4,547,968	757,812	3,079,748
Employee social welfare fund expenses	1,148,216	4,670,943	1,126,383	4,592,263	307,795	1,253,341	302,788	1,230,530
Staff uniform	279,480	1,136,925	226,036	921,549	279,480	1,138,043	56,428	229,323
Medical expenses	46,586	189,512	16,197	66,035	11,664	47,496	6,888	27,993
Other employee benefits	511,131	2,079,280	508,418	2,072,821	(849,165)	(3,457,800)	(720,923)	(2,929,830)
	<u>84,578,929</u>	<u>344,067,083</u>	<u>67,850,856</u>	<u>276,627,940</u>	<u>28,216,514</u>	<u>114,897,645</u>	<u>15,409,432</u>	<u>62,623,932</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

29. General and administrative expenses

	For the twelve-month period ended				For the three-month period ended			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	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	3,722,551	15,143,337	3,816,692	15,560,653	966,101	3,933,963	944,931	3,840,200
Printing and stationery	1,426,967	5,804,902	1,300,211	5,300,960	399,764	1,627,839	319,707	1,299,289
Repair and maintenance	1,169,673	4,758,230	1,193,431	4,865,618	347,493	1,414,991	296,701	1,205,793
Transportation	1,127,650	4,587,280	1,368,728	5,580,304	312,119	1,270,949	327,187	1,329,689
Utilities	1,101,733	4,481,850	1,236,215	5,040,049	209,897	854,701	281,146	1,142,577
License fees	1,064,783	4,331,537	1,258,342	5,130,260	603,749	2,458,466	311,657	1,266,574
Communications	854,179	3,474,800	812,810	3,313,826	223,748	911,102	204,442	830,852
Rental	815,242	3,316,404	633,895	2,584,390	226,265	921,351	201,898	820,514
Professional fees	635,696	2,586,011	817,258	3,331,961	145,221	591,340	216,705	880,689
Stamp tax	409,663	1,666,509	602,297	2,455,565	317,329	1,292,164	198,236	805,631
Marketing and promotions	408,671	1,662,474	547,931	2,233,915	136,350	555,217	968	3,934
Other tax expenses	387,917	1,578,046	350,371	1,428,463	130,946	533,212	44,743	181,836
Office supplies	373,488	1,519,349	484,585	1,975,653	93,006	378,720	54,864	222,967
Bank charges	226,453	921,211	264,250	1,077,347	22,507	91,649	103,072	418,885
Donation	182,420	742,085	701,476	2,859,918	3,519	14,329	563,833	2,291,417
Training	51,075	207,773	51,349	209,350	12,867	52,394	5,484	22,287
Traveling	50,887	207,008	197,275	804,290	9,279	37,784	40,168	163,243
Other expenses	521,067	2,119,702	347,556	1,416,986	199,003	810,341	65,042	264,329
	<u>14,530,115</u>	<u>59,108,508</u>	<u>15,984,672</u>	<u>65,169,508</u>	<u>4,359,163</u>	<u>17,750,512</u>	<u>4,180,784</u>	<u>16,990,706</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

30. Depreciation and amortization

	For the twelve-month period ended				For the three-month period ended			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	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	2,072,431	8,430,649	2,142,467	8,734,838	527,799	2,149,198	539,498	2,192,520
Intangible assets	296,374	1,205,648	367,052	1,496,470	74,921	305,078	90,202	366,581
Right-of-use assets	4,009,254	16,309,647	4,060,539	16,554,818	853,303	3,474,650	1,051,681	4,274,031
	<u>6,378,059</u>	<u>25,945,944</u>	<u>6,570,058</u>	<u>26,786,126</u>	<u>1,456,023</u>	<u>5,928,926</u>	<u>1,681,381</u>	<u>6,833,132</u>

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

31. Net cash used in operating activities

	Note	For the twelve-month period ended 31 December 2021		For the twelve-month period ended 31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Net profit for the period		155,500,964	632,577,922	108,828,987	443,695,780
<i>Adjustments for:</i>					
Depreciation and amortisation	30	6,378,059	25,945,944	6,570,058	26,786,126
Gain on disposal of property and equipment		(100,550)	(409,037)	53,136	216,635
Net interest income		(295,443,704)	(1,201,864,988)	(231,926,837)	(945,565,714)
Allowance for impairment losses	9	14,707,859	59,831,570	23,411,178	95,447,373
Income tax expense	20(a)	38,137,058	155,141,552	26,512,787	108,092,633
Provision for employee benefits	21	3,925,784	15,970,089	3,289,019	13,409,330
Unrealised exchange losses/(gains)		1,902,630	7,739,898	(456,554)	(1,861,373)
		(74,991,900)	(305,067,050)	(63,718,226)	(259,779,210)
<i>Changes in:</i>					
Balances with the NBC		(35,306,817)	(143,628,132)	(24,575,724)	(100,195,227)
Loans to customers		(729,372,289)	(2,967,086,472)	(525,631,056)	(2,142,997,815)
Other assets		(476,806)	(1,939,647)	7,380,494	30,090,274
Deposits from banks and other financial institutions		44,067,315	179,265,837	(19,907,094)	(81,161,222)
Deposits from customers		450,965,847	1,834,529,066	292,738,485	1,193,494,803
Other liabilities		6,754,251	27,476,293	2,522,247	10,283,201
Cash used in operations		(338,360,399)	(1,376,450,105)	(331,190,874)	(1,350,265,196)
Interest received		501,636,323	2,040,656,562	424,423,768	1,730,375,702
Interest paid		(201,351,671)	(819,098,599)	(198,929,097)	(811,033,928)
Income tax paid	20(b)	(28,882,858)	(117,495,466)	(27,489,443)	(112,074,458)
Employee benefits paid	21	(4,123,253)	(16,773,393)	(2,928,206)	(11,938,296)
Net cash used in operating activities		(71,081,858)	(289,161,001)	(136,113,852)	(554,936,176)

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

32. Related party transactions and balances

(a) Significant transactions with related parties

		For the twelve-month period ended				For the three-month period ended			
		31 December 2021		31 December 2020		31 December 2021		31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 Equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Transactions</i>	<i>Related parties</i>								
Fees and related expenses	Board of Directors	209,629	852,771	335,784	1,368,991	41,250	167,970	85,137	345,997
Interest expense	Board of Directors	1,973	8,026	121,540	495,519	28	114	28,366	115,279
	Shareholders	4,508,349	18,339,964	1,470,547	5,995,420	1,310,054	5,334,540	299,632	1,217,704
	Key management personnel	2,164,060	8,803,396	1,633,226	6,658,662	698,164	2,842,924	503,545	2,046,407
	Other related parties	162,088	659,374	-	-	162,088	660,022	-	-
Fees and commissions on loans	Shareholders	833,993	3,392,684	391,280	1,595,249	178,923	728,574	226,866	921,983
Salaries and employee benefits	Key management personnel	6,555,033	26,665,874	4,740,451	19,326,819	2,778,704	11,314,883	1,813,804	7,371,299
	Key management personnel	84,011	341,757	12,243	49,915	25,856	105,286	-	-
Interest income	Key management personnel	316,982	1,289,483	233,526	952,086	137,154	558,491	91,139	370,389
Employee benefits expense	Key management personnel	5,780,027	23,513,150	-	-	5,780,027	23,536,270	-	-
Management Incentive	Key management personnel								

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

32. Related party transactions and balances (continued)

(b) Balances with related parties

		31 December 2021		31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Accounts</i>	<i>Related parties</i>				
	Directors and key management personnel				
Deposit		51,574,610	210,114,961	29,515,649	119,390,799
	PSCo	-	-	2,968,104	12,005,981
	KB Daehan Specialized Bank Plc	4,001,000	16,300,074	-	-
	KB Bank Myanmar Co., Ltd	15,153,386	61,734,895	-	-
		<u>70,728,996</u>	<u>288,149,930</u>	<u>32,483,753</u>	<u>131,396,780</u>
	Directors and key management personnel				
Loan		<u>1,006,948</u>	<u>4,102,306</u>	<u>805,477</u>	<u>3,258,154</u>
Borrowings	BEA	-	-	6,003,274	24,283,243
	KB	111,027,553	452,326,251	80,211,596	324,455,906
	KB Daehan Specialized Bank Plc	2,953,984	12,034,531	-	-
		<u>113,981,537</u>	<u>464,360,782</u>	<u>86,214,870</u>	<u>348,739,149</u>
Subordinated debt	KB	<u>50,192,137</u>	<u>204,482,766</u>	<u>50,056,347</u>	<u>202,477,924</u>
Accrued management incentive	Directors and key management personnel	<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 financial position 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.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

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 financial position 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.

- *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.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

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 (continued)*

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.

34. Tax contingency

On 6 August 2021, 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 2019 to 31 December 2019. As at the date of this report, the GDT has yet to commence its tax audits.

Taxes are calculated on the basis of current interpretation of the tax regulations enacted as 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.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

35. Comparative information

During the preparation of the 31 December 2021 condensed interim financial statements, the management has identified errors in the prior year's condensed interim financial statements relating to the wrong classification of financial liabilities at amortised cost, and the computation error on regulatory reserve. The details of the adjustments are as follows:

Financial liabilities at amortised cost

In accordance with CIFRS 9, the accrued interest payable is part of the amortised cost of the financial liabilities measured at the amortised cost. However, the Company classified the accrued interest payable as other liabilities. As a result, the other liabilities were overstated by USD57,237,535 and the deposits from banks and financial institutions, the deposits from customers, the borrowings, the bonds payable and the subordinated debts were understated by USD1,087,600, USD49,461,842, USD5,056,882, USD414,364 and USD1,216,847, respectively as at 31 December 2020.

Regulatory reserve and retained earnings

Banks and financial institutions are required to compute regulatory provisions, according to Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and provisions on impairment. If the accumulated regulatory provision is higher than the accumulated impairment based on CIFRS 9, the 'topping up' will be recorded as regulatory reserves presented under equity. The reserve is subsequently reversed (up to zero) should the regulatory provision equal or be lower than allowance for impairment loss in accordance with CIFRS 9. The regulatory reserve is set aside as a buffer, is non-distributable, is not allowed to be included in the net worth calculation. As at 1 January 2020 and 31 December 2020, the regulatory provision is higher than allowance for impairment loss under CIFRS 9 by USD2,644,420 and USD461,332, respectively. However, the Company has used the impairment expense as the basis of calculating the regulatory reserve. As a result, the regulatory reserve was overstated and the retained earnings was understated by USD1,464,505 as at both 1 January 2020 and 31 December 2020, respectively.

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Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2021

35. Comparative information (continued)

The summary of the line items affected by the adjustments on the financial statements are as follows:

Statement of financial position

	As at 1 January 2020			
	As previously reported USD	Adjustments USD	As restated USD	As restated KHR'000 equivalent (Note 4)
SHAREHOLDERS' EQUITY				
Retained earnings	172,806,880	1,464,505	174,271,385	711,503,244
Regulatory reserve	4,108,925	(1,464,505)	2,644,420	10,715,190
<hr/>				
	As at 31 December 2020			
	As previously reported USD	Adjustments USD	As restated USD	As restated KHR'000 equivalent (Note 4)
LIABILITIES				
Deposits from banks and other financial institutions	36,145,217	1,087,600	37,232,817	150,606,745
Deposits from customers	2,025,219,101	49,461,842	2,074,680,943	8,392,084,414
Borrowings	789,373,435	5,056,882	794,430,317	3,213,470,632
Bonds payable	30,251,674	414,364	30,666,038	124,044,124
Subordinated debts	112,450,970	1,216,847	113,667,817	459,786,320
Other liabilities	65,111,136	(57,237,535)	7,873,601	31,848,716
<hr/>				
SHAREHOLDERS' EQUITY				
Retained earnings	283,760,335	1,464,505	285,224,840	1,163,897,093
Regulatory reserve	1,925,837	(1,464,505)	461,332	1,778,127