

PRASAC MICROFINANCE INSTITUTION PLC.

**Condensed Interim Financial Statements
for the three-month
period ended 31 March 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	Kookmin Bank LOLC International Private Limited The Bank of East Asia, Limited PRASAC Staff Company Limited	
Board of Directors	Mr. Kwi Sang JUN Mr. Ji Kyu JANG Mr. Ishara Chinthaka Nanayakkara Mr. Sim Senacheert Mr. Minki Brian HONG Mr. Hak Soo KIM	Chairman Director Director Director Director Director (resigned on 28 January 2021)
Executive Committee	Mr. Sim Senacheert Mr. Oum Sophan Mr. Oum Sam Oeun Mr. Neang Sokhim Mr. Say Sony Mr. Choub Veasna Mr. Chea Hang	President & Chief Executive Officer EVP & Chief Financial Officer EVP & Chief Operations Officer EVP & Chief Business Management EVP & Chief Marketing Management EVP & Chief Human Resource Officer EVP & Chief Corporate Strategy and Business Plan Officer
Auditors	KPMG Cambodia Ltd	

Prasac Microfinance Institution Plc.

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Report of the Board of Directors

The Board of the Directors (“Board” or “the Directors”) of Prasac Microfinance Institution Plc. (“the Company”) hereby presents its report and the Company’s condensed interim financial statements as at 31 March 2021 and for the three-month period then ended.

The Company

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 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 period ended 31 March 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 period and the Directors do not recommend any dividends to be paid as at the reporting date.

Reserves and provisions

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

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Expected credit losses on loans to customers

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

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

Assets

Before the condensed interim financial statements of the Company were prepared, the Directors took reasonable steps to ensure that any assets, other than debts, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company had been written down to an amount which they are expected to be realized.

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 on the assets of the Company which has arisen since the end of the financial 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 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.

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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 period 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 period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the current reporting period in which this report is made.

Subsequent events

No significant events occurred after the condensed interim statement of financial position date requiring disclosure or adjustment other than those already disclosed in the accompanying notes to the condensed interim financial statements.

The Board of the Directors

The members of the 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. Ishara Chinthaka Nanayakkara	Director
Mr. Sim Senacheert	Director
Mr. Minki Brian HONG	Director
Mr. Hak Soo KIM	Director (resigned on 28 January 2021)
Vacant (*)	Independent Director
Vacant (*)	Independent Director
Vacant (*)	Independent Director

(*) These independent directors were appointed by the Company on 10 April 2020. On 31 December 2020, the Company sent a letter to NBC requesting for the approval over the appointment of these independent directors. However, it was not approved by NBC as noted in the letter dated 28 January 2021. On 9 April 2021, the Company sent another letter to NBC requesting for approval over the appointment of other individuals, including Mr. Kyung Cheon Lee, Mr. Jaehong Park and Mr. Chan Sophal, as independent directors. The Company is awaiting the approval from NBC as of the date of this report.

Prasac Microfinance Institution Plc.

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. Sim Senacheert	President & Chief Executive Officer
Mr. Oum Sophan	EVP & Chief Financial Officer
Mr. Oum Sam Oeun	EVP & Chief Operations Officer
Mr. Neang Sokhim	EVP & Chief Business Management
Mr. Say Sony	EVP & Chief Marketing Management
Mr. Choub Veasna	EVP & Chief Human Resource Officer
Mr. Chea Hang	EVP & Chief Corporate Strategy and Business Plan Officer

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 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 March 2021 and for the three-month period then ended, as set out on pages 8 to 47, which are prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, *Interim Financial Reporting* ("CIAS 34"). The Board of Directors oversees preparation of these condensed interim financial statements by management who is required to:

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

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

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

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

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

Approval of the condensed interim financial statements

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

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



Sim Senacheert
Director

Phnom Penh, Kingdom of Cambodia

Date: 13 May 2021



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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 condensed interim financial statements of Prasac Microfinance Institution Plc. ("the Company"), which comprise the condensed interim statements of financial position of the Company as at 31 March 2021, and the condensed interim statements of financial performance, changes in equity and cash flows for the three-month period then ended, and other explanatory notes as set out on pages 8 to 47 (hereafter referred to as "the condensed interim financial statements").

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

Scope of Review

We conducted our review in accordance with the Cambodian International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Cambodian International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

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

The condensed interim financial statements of the Company as at 31 March 2020 and for the three-month period then ended were reviewed by another firm of auditors who expressed an unmodified conclusion on 7 September 2020. In addition, the financial statements of the Company for the year ended 31 December 2020, excluding the reclassifications described in Note 35 to the condensed interim financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements on 31 March 2021.

As part of our review of the condensed interim financial statements as at and for the three-month period ended 31 March 2021, we reviewed the reclassifications 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 financial statements for the year ended 31 December 2020, other than with respect to the reclassifications 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, in our conclusion, the reclassifications described in Note 35 are appropriate and have been properly applied.

For KPMG Cambodia Ltd

Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

13 May 2021

Prasac Microfinance Institution Plc.

Condensed interim statement of financial position as at 31 March 2021

	Notes	31 March 2021		31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
ASSETS					
Cash on hand	6	189,528,409	766,642,414	160,578,086	649,538,358
Balances with the National Bank of Cambodia	7	353,184,764	1,428,632,370	438,355,399	1,773,147,589
Balances with other banks	8	2,462,029	9,958,907	3,975,029	16,078,992
Loans to customers	9	3,165,804,794	12,805,680,392	2,978,579,934	12,048,355,833
Other assets	10	1,723,931	6,973,301	1,341,096	5,424,733
Property and equipment	11	5,566,901	22,518,115	5,662,803	22,906,039
Right-of-use assets	12	14,633,597	59,192,900	15,322,179	61,978,214
Intangible assets	13	1,578,600	6,385,437	1,607,168	6,500,995
Deferred tax assets, net	20(c)	11,728,355	47,441,196	10,904,851	44,110,122
TOTAL ASSETS		3,746,211,380	15,153,425,032	3,616,326,545	14,628,040,875
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from banks and other financial institutions	14	56,605,091	228,967,593	37,232,817	150,606,745
Deposits from customers	15	2,148,797,875	8,691,887,404	2,074,680,943	8,392,084,414
Borrowings	16	805,783,059	3,259,392,474	794,430,317	3,213,470,632
Bonds payable	17	31,338,949	126,766,049	30,666,038	124,044,124
Subordinated debts	18	112,466,761	454,928,048	113,667,817	459,786,320
Lease liabilities	19	13,809,864	55,860,900	14,424,818	58,348,389
Income tax payable	20(b)	8,769,054	35,470,823	24,076,695	97,390,231
Provision for employee benefits	21	1,418,199	5,736,615	435,375	1,761,092
Other liabilities	22	12,420,349	50,240,312	7,873,601	31,848,716
Total liabilities		3,191,409,201	12,909,250,218	3,097,488,421	12,529,340,663
SHAREHOLDERS' EQUITY					
Share capital	23(a)	230,000,000	920,000,000	230,000,000	920,000,000
Retained earnings		320,512,167	1,307,128,354	285,224,840	1,163,897,093
Reserve fund	23(b)	3,166,607	12,832,660	3,151,952	12,773,175
Regulatory reserve	23(c)	1,123,405	4,465,481	461,332	1,778,127
Currency translation reserves		-	(251,681)	-	251,817
Total shareholders' equity		554,802,179	2,244,174,814	518,838,124	2,098,700,212
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,746,211,380	15,153,425,032	3,616,326,545	14,628,040,875

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 three-month period ended 31 March 2021

	Notes	For the three-month period ended 31 March 2021		For the three-month period ended 31 March 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Interest income	24	118,818,341	482,283,647	104,179,358	423,384,912
Interest expense	25	<u>(50,217,821)</u>	<u>(203,834,136)</u>	<u>(48,396,089)</u>	<u>(196,681,706)</u>
Net interest income		<u>68,600,520</u>	<u>278,449,511</u>	<u>55,783,269</u>	<u>226,703,206</u>
Fees and commission income	26	2,173,850	8,823,658	1,948,978	7,920,647
Fees and commission expense		<u>(21,075)</u>	<u>(85,544)</u>	<u>(32,246)</u>	<u>(131,048)</u>
Net fees and commission income		<u>2,152,775</u>	<u>8,738,114</u>	<u>1,916,732</u>	<u>7,789,599</u>
Other income	27	2,877,695	11,680,565	2,815,727	11,443,116
Grant income		365,210	1,482,388	-	-
Net foreign exchange gain		<u>641,598</u>	<u>2,604,247</u>	<u>1,153,910</u>	<u>4,689,491</u>
Total other income		<u>3,884,503</u>	<u>15,767,200</u>	<u>3,969,637</u>	<u>16,132,607</u>
Total interest, fees, commission and other income		<u>74,637,798</u>	<u>302,954,825</u>	<u>61,669,638</u>	<u>250,625,412</u>
Personnel expenses	28	(20,385,032)	(82,742,845)	(18,930,040)	(76,931,683)
Allowance for impairment losses	9	(4,252,318)	(17,260,159)	(6,570,328)	(26,701,813)
General and administrative expenses	29	(3,641,347)	(14,780,228)	(3,943,468)	(16,026,252)
Depreciation and amortisation	30	<u>(1,611,500)</u>	<u>(6,541,079)</u>	<u>(1,580,576)</u>	<u>(6,423,461)</u>
Profit before income tax		<u>44,747,601</u>	<u>181,630,514</u>	<u>30,645,226</u>	<u>124,542,203</u>
Income tax expense	20(a)	<u>(8,783,546)</u>	<u>(35,652,414)</u>	<u>(6,162,995)</u>	<u>(25,046,412)</u>
Net profit for the period		<u>35,964,055</u>	<u>145,978,100</u>	<u>24,482,231</u>	<u>99,495,791</u>
<i>Other comprehensive loss</i>					
Currency translation difference		-	(503,498)	-	(1,903,157)
Total comprehensive income		<u>35,964,055</u>	<u>145,474,602</u>	<u>24,482,231</u>	<u>97,592,634</u>

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 three-month period ended 31 March 2021

	<i>Share capital</i>		<i>Retained earnings</i>		<i>Reserve fund</i>		<i>Regulatory reserve</i>		<i>Currency translation reserves</i>		<i>Total</i>	
	<i>USD</i>	<i>KHR'000</i> <i>(Note 4)</i>	<i>USD</i>	<i>KHR'000</i> <i>(Note 4)</i>	<i>USD</i>	<i>KHR'000</i> <i>(Note 4)</i>	<i>USD</i>	<i>KHR'000</i> <i>(Note 4)</i>	<i>USD</i>	<i>KHR'000</i> <i>(Note 4)</i>	<i>USD</i>	<i>KHR'000</i> <i>(Note 4)</i>
Balance as at 1 January 2021	230,000,000	920,000,000	285,224,840	1,163,897,093	3,151,952	12,773,175	461,332	1,778,127	-	251,817	518,838,124	2,098,700,212
Net profit for the period	-	-	35,964,055	145,978,100	-	-	-	-	-	-	35,964,055	145,978,100
Transfer to regulatory reserve	-	-	(662,073)	(2,687,354)	-	-	662,073	2,687,354	-	-	-	-
Transfer to reserve fund	-	-	(14,655)	(59,485)	14,655	59,485	-	-	-	-	-	-
Translation difference	-	-	-	-	-	-	-	-	-	(503,498)	-	(503,498)
Balance as at 31 March 2021	230,000,000	920,000,000	320,512,167	1,307,128,354	3,166,607	12,832,660	1,123,405	4,465,481	-	(251,681)	554,802,179	2,244,174,814
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	-	-	24,482,231	99,495,791	-	-	-	-	-	-	24,482,231	99,495,791
Transfer from regulatory reserve	-	-	2,644,420	10,715,190	-	-	(2,644,420)	(10,715,190)	-	-	-	-
Transfer to reserve fund	-	-	(14,655)	(59,558)	14,655	59,558	-	-	-	-	-	-
Translation difference	-	-	-	-	-	-	-	-	-	(1,903,157)	-	(1,903,157)
Balance as at 31 March 2020 (restated)	230,000,000	920,000,000	201,383,381	821,654,667	3,107,987	12,593,739	-	-	-	14,131,461	434,491,368	1,768,379,867

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 three-month period ended 31 March 2021

	Notes	For the three-month period ended 31 March 2021		For the three-month period ended 31 March 2020	
		USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES					
Net cash used in operating activities	31	<u>(74,229,266)</u>	<u>(301,296,590)</u>	<u>(183,676,845)</u>	<u>(746,462,694)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(409,461)	(1,662,002)	(1,015,789)	(4,128,166)
Purchase of intangible assets		(43,735)	(177,520)	(76,807)	(312,144)
Proceeds from disposal of property and equipment		62,059	251,897	5,731	23,291
Net cash used in investing activities		<u>(391,137)</u>	<u>(1,587,625)</u>	<u>(1,086,865)</u>	<u>(4,417,019)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		60,244,129	244,530,920	192,828,010	783,653,033
Repayments of borrowings		(47,940,373)	(194,589,974)	(70,526,799)	(286,620,911)
Repayments of subordinated debts		(2,666,667)	(10,824,001)	(2,278,210)	(9,258,645)
Payments of lease liabilities		<u>(1,236,280)</u>	<u>(5,018,061)</u>	<u>(1,121,220)</u>	<u>(4,556,638)</u>
Net cash generated from financing activities		<u>8,400,809</u>	<u>34,098,884</u>	<u>118,901,781</u>	<u>483,216,839</u>
Net decrease in cash and cash equivalents		<u>(66,219,594)</u>	<u>(268,785,331)</u>	<u>(65,861,929)</u>	<u>(267,662,874)</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 difference		-	927,072	-	(2,546,789)
Cash and cash equivalents at end of period	6	<u>350,846,193</u>	<u>1,419,172,849</u>	<u>364,460,477</u>	<u>1,483,354,141</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 (continued) for the three-month period ended 31 March 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 March 2021, the Company had 8,904 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 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 13 May 2021.

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 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.
- Measurement of defined benefit obligations: key actuarial assumptions.
- 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 period ended 31 March 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 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.

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.

4. Translation of United States Dollars into Khmer Riel

The condensed interim financial statements are expressed in United States Dollars ("USD"). The translations of USD amounts into Khmer Riel ("KHR") are included solely for compliance with the Law on Accounting and Auditing.

Assets and liabilities are translated at the closing rate as at the reporting date. 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. Exchange differences arising from the translation are recognised as "Currency Translation Difference" in the other comprehensive income.

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

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

The Company uses the following exchange rates:

			Closing rate	Average rate
31 March 2021	USD1	=	KHR4,045	KHR4,059
31 March 2020	USD1	=	KHR4,070	KHR4,064
31 December 2020	USD1	=	KHR4,045	KHR4,077

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 mainly to providing 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 March 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Head office	40,912,222	165,489,938	43,578,608	176,275,469
Branches	148,616,187	601,152,476	116,999,478	473,262,889
	<u>189,528,409</u>	<u>766,642,414</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 period ended 31 March 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 March 2021		31 March 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Cash on hand	189,528,409	766,642,414	140,077,417	570,115,087
<i>Balances with the NBC</i>				
Current accounts	78,456,720	317,357,432	222,063,205	903,797,244
Term deposits (original maturity up to three months)	80,374,166	325,113,501	223,710	910,500
<i>Balances with other banks</i>				
Current accounts	2,423,380	9,802,572	2,033,264	8,275,384
Savings accounts	63,518	256,930	62,881	255,926
	<u>350,846,193</u>	<u>1,419,172,849</u>	<u>364,460,477</u>	<u>1,483,354,141</u>

7. Balances with the NBC

	Note	31 March 2021		31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Current accounts	(a)	78,456,720	317,357,432	87,265,227	352,987,843
Term deposits (original maturity up to three months)	(a)	80,374,166	325,113,501	165,207,294	668,263,504
Term deposits (original maturity more than three months)	(a)	148,888	602,252	148,888	602,252
Capital guarantee	(b)	23,000,000	93,035,000	23,000,000	93,035,000
Reserve requirement	(c)	171,204,990	692,524,185	162,733,990	658,258,990
		<u>353,184,764</u>	<u>1,428,632,370</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 period ended 31 March 2021

7. Balances with the NBC (continued)

(a) Current accounts and term deposits

Current accounts earn no interest.

Term deposits maturing up to three months earn annual interest at rates ranging from 0.02% to 1.55% (2020: from 0.02% to 1.60%) and for more than three months at 0.23% to 1.93% (2020: from 0.23% to 1.93%).

(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. 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 0.06% during the period (2020: 0.09 %).

(c) Reserve requirement

Reserve requirement 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.

8. Balances with other banks

	31 March 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Current accounts	2,423,380	9,802,572	3,959,939	16,017,953
Savings accounts	63,518	256,930	55,241	223,450
Gross balances with other banks	2,486,898	10,059,502	4,015,180	16,241,403
Allowance for impairment loss	(24,869)	(100,595)	(40,151)	(162,411)
	<u>2,462,029</u>	<u>9,958,907</u>	<u>3,975,029</u>	<u>16,078,992</u>

Current accounts earn annual interest up to 0.75% (2020: 0.00% to 1.00%). Savings accounts earn annual interest at rates ranging from 0.00% to 0.15% during the period (2020: 0.00% to 1.00%).

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

9. Loans to customers

Loans to customers are categorised as follows:

	31 March 2021				KHR'000 equivalent (Note 4)
	Stage 1	Stage 2	Stage 3	Total	
	USD	USD	USD	USD	
Individual loans	3,069,527,942	50,940,278	43,090,924	3,163,559,144	12,796,596,737
Small and medium enterprises	46,875,994	1,434,156	1,555,115	49,865,265	201,704,997
Staff loans	8,436,899	4,159	23,424	8,464,482	34,238,830
Group loans	264,498	5,375	17,779	287,652	1,163,552
	3,125,105,333	52,383,968	44,687,242	3,222,176,543	13,033,704,116
Unamortised loan processing fees	(3,912,677)	(26,753,386)	(200,004)	(30,866,067)	(124,853,241)
	3,121,192,656	25,630,582	44,487,238	3,191,310,476	12,908,850,875
Accrued interest receivable	3,744,925	24,329,481	300,661	28,375,067	114,777,146
	3,124,937,581	49,960,063	44,787,899	3,219,685,543	13,023,628,021
Allowance for impairment loss	(13,007,585)	(13,188,788)	(27,684,376)	(53,880,749)	(217,947,629)
	3,111,929,996	36,771,275	17,103,523	3,165,804,794	12,805,680,392

	31 December 2020				KHR'000 equivalent (Note 4)
	Stage 1	Stage 2	Stage 3	Total	
	USD	USD	USD	USD	
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	(3,643,425)	(269,408)	(24,945,958)	(28,858,791)	(116,733,810)
	2,933,948,391	51,417,778	16,595,769	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
	2,956,719,793	51,962,702	19,510,932	3,028,193,427	12,249,042,412
Allowance for impairment loss	(11,262,106)	(12,954,251)	(25,397,136)	(49,613,493)	(200,686,579)
	2,945,457,687	39,008,451	(5,886,204)	2,978,579,934	12,048,355,833

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

9. Loans to customers (continued)

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

	<i>For the three-month period ended 31 March 2021</i>		<i>For the three-month period ended 31 March 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Loans to customers	4,267,256	17,320,794	6,559,584	26,658,149
Balances with other banks	(15,282)	(62,029)	10,137	41,197
Other receivables	344	1,394	607	2,467
	<u>4,252,318</u>	<u>17,260,159</u>	<u>6,570,328</u>	<u>26,701,813</u>

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

	<i>For the three-month period ended 31 March 2021</i>		<i>For the three-month period ended 31 March 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
At beginning of period	49,613,493	200,686,579	26,232,892	106,899,034
Allowance for impairment loss during the period	4,267,256	17,320,794	6,559,584	26,658,149
Currency translation difference	-	(59,744)	-	(91,806)
At the end of period	<u>53,880,749</u>	<u>217,947,629</u>	<u>32,792,476</u>	<u>133,465,377</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

9. Loans to customers (continued)

Further analyses of loans to customers are set out below.

(a) By security

	31 March 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Secured				
Real estate	199,757,815	808,020,362	178,699,933	722,841,229
Chattel	133,165,884	538,656,001	124,214,580	502,447,976
Deposit hold-out	880,012	3,559,649	637,871	2,580,188
Others	1,032,461,579	4,176,307,087	962,522,312	3,893,402,752
Unsecured				
Real estate	262,940,620	1,063,594,808	242,894,844	982,509,644
Chattel	162,462,694	657,161,597	157,008,498	635,099,374
Others	1,428,016,939	5,776,328,517	1,362,215,389	5,510,161,249
	<u>3,219,685,543</u>	<u>13,023,628,021</u>	<u>3,028,193,427</u>	<u>12,249,042,412</u>

(b) By maturity

	31 March 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Within one month	97,783,793	395,535,443	91,934,370	371,874,527
1 month to 3 months	123,885,433	501,116,576	128,446,764	519,567,160
3 months to 12 months	561,963,038	2,273,140,489	541,923,856	2,192,081,998
1 year to 5 years	2,038,145,886	8,244,300,109	1,935,325,429	7,828,391,360
More than 5 years	397,907,393	1,609,535,404	330,563,008	1,337,127,367
	<u>3,219,685,543</u>	<u>13,023,628,021</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 period ended 31 March 2021

9. Loans to customers (continued)

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

	31 March 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Residency</i>				
Residents	3,219,685,543	13,023,628,021	3,028,193,427	12,249,042,412
<i>Relationship</i>				
External customers	3,211,224,911	12,989,404,765	3,020,051,028	12,216,106,408
Staff loans	8,460,632	34,223,256	8,142,399	32,936,004
	3,219,685,543	13,023,628,021	3,028,193,427	12,249,042,412
<i>Currency</i>				
USD	2,813,436,512	11,380,350,691	2,638,558,932	10,672,970,880
KHR	388,404,816	1,571,097,480	365,326,565	1,477,745,955
THB	17,844,215	72,179,850	24,307,930	98,325,577
	3,219,685,543	13,023,628,021	3,028,193,427	12,249,042,412
	31 March 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Industry sector</i>				
Trade and commerce	797,340,306	3,225,241,538	745,402,429	3,015,152,826
Service	545,881,757	2,208,091,707	513,552,045	2,077,318,022
Real-estate	462,698,435	1,871,615,170	421,594,777	1,705,350,873
Agriculture	406,994,664	1,646,293,416	408,192,523	1,651,138,756
Home improvement	385,036,186	1,557,471,372	346,941,003	1,403,376,357
Auto loan	295,628,578	1,195,817,598	281,223,077	1,137,547,346
Transportation	231,418,918	936,089,523	221,905,561	897,607,994
Manufacturing	36,637,856	148,200,128	34,613,559	140,011,846
Construction	31,919,868	129,115,866	29,420,267	119,004,980
Personal	26,128,975	105,691,703	25,348,186	102,533,412
	3,219,685,543	13,023,628,021	3,028,193,427	12,249,042,412

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

10. Other assets

	31 March 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Prepayments	1,119,456	4,528,200	767,359	3,103,967
Deposits	533,063	2,156,240	513,266	2,076,161
Long-term investment	28,167	113,936	28,167	113,936
Others	53,906	218,049	42,604	172,333
	<u>1,734,592</u>	<u>7,016,425</u>	<u>1,351,396</u>	<u>5,466,397</u>
Allowance for impairment loss	<u>(10,661)</u>	<u>(43,124)</u>	<u>(10,300)</u>	<u>(41,664)</u>
	<u>1,723,931</u>	<u>6,973,301</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 period ended 31 March 2021

11. Property and equipment

	<i>For the three-month period ended 31 March 2021</i>							
	<i>Office furniture USD</i>	<i>Vehicles USD</i>	<i>Motorcycles USD</i>	<i>Computer and peripherals USD</i>	<i>Leasehold improvements USD</i>	<i>Communication equipment USD</i>	<i>Work in progress USD</i>	<i>Total USD</i>
Cost								
As at 1 January 2021	5,355,637	3,037,394	360,678	9,030,420	2,401,455	326,356	295,714	20,807,654
Additions	58,068	97,500	-	100,272	3,090	1,505	149,026	409,461
Disposals/write-offs	(36,453)	(141,671)	-	(19,464)	(1,970)	-	-	(199,558)
Transfers	8,958	-	-	393,899	-	-	(402,857)	-
As at 31 March 2021	<u>5,386,210</u>	<u>2,993,223</u>	<u>360,678</u>	<u>9,505,127</u>	<u>2,402,575</u>	<u>327,861</u>	<u>41,883</u>	<u>21,017,557</u>
Less: Accumulated depreciation								
As at 1 January 2021	4,222,332	2,315,084	349,819	6,215,744	1,788,910	252,962	-	15,144,851
Depreciation	108,671	64,650	884	279,368	42,855	6,656	-	503,084
Disposals/write-offs and others	(34,909)	(141,670)	-	(18,730)	(1,970)	-	-	(197,279)
As at 31 March 2021	<u>4,296,094</u>	<u>2,238,064</u>	<u>350,703</u>	<u>6,476,382</u>	<u>1,829,795</u>	<u>259,618</u>	<u>-</u>	<u>15,450,656</u>
Carrying amounts								
As at 31 March 2021	<u>1,090,116</u>	<u>755,159</u>	<u>9,975</u>	<u>3,028,745</u>	<u>572,780</u>	<u>68,243</u>	<u>41,883</u>	<u>5,566,901</u>
KHR'000 equivalent (Note 4)	<u>4,409,519</u>	<u>3,054,618</u>	<u>40,349</u>	<u>12,251,274</u>	<u>2,316,895</u>	<u>276,043</u>	<u>169,417</u>	<u>22,518,115</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

11. Property and equipment (continued)

	<i>For the three-month period ended 31 March 2020</i>							
	<i>Office furniture USD</i>	<i>Vehicles USD</i>	<i>Motorcycles USD</i>	<i>Computer and peripherals USD</i>	<i>Leasehold improvements USD</i>	<i>Communication equipment USD</i>	<i>Work in progress USD</i>	<i>Total USD</i>
Cost								
As at 1 January 2020	4,871,906	2,917,904	354,528	7,171,805	2,297,202	417,766	86,160	18,117,271
Additions	90,766	-	-	72,333	6,261	-	846,429	1,015,789
Disposals/write-offs	(2,502)	(18,000)	-	(23,564)	-	-	-	(44,066)
Transfers	5,525	-	-	117,481	3,634	-	(126,640)	-
As at 31 March 2020	<u>4,965,695</u>	<u>2,899,904</u>	<u>354,528</u>	<u>7,338,055</u>	<u>2,307,097</u>	<u>417,766</u>	<u>805,949</u>	<u>19,088,994</u>
Less: Accumulated depreciation								
As at 1 January 2020	3,796,688	2,039,937	346,727	5,164,683	1,622,584	240,365	-	13,210,984
Depreciation	110,430	77,795	511	268,400	51,181	12,425	-	520,742
Disposals/write-offs and others	(2,502)	(18,000)	-	(23,458)	-	-	-	(43,960)
As at 31 March 2020	<u>3,904,616</u>	<u>2,099,732</u>	<u>347,238</u>	<u>5,409,625</u>	<u>1,673,765</u>	<u>252,790</u>	<u>-</u>	<u>13,687,766</u>
Carrying amounts								
As at 31 March 2020	<u>1,061,079</u>	<u>800,172</u>	<u>7,290</u>	<u>1,928,430</u>	<u>633,332</u>	<u>164,976</u>	<u>805,949</u>	<u>5,401,228</u>
KHR'000 equivalent (Note 4)	<u>4,318,592</u>	<u>3,256,700</u>	<u>29,670</u>	<u>7,848,710</u>	<u>2,577,661</u>	<u>671,452</u>	<u>3,280,213</u>	<u>21,982,998</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

12. Right-of-use assets

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

	<i>For the three-month period ended 31 March 2021</i>			
	<i>Office space</i>	<i>ATM space</i>	<i>Total</i>	
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>KHR'000</i> <i>equivalent</i> <i>(Note 4)</i>
Cost				
As at 1 January 2021	25,638,528	717,053	26,355,581	106,608,325
Additions	335,370	12,161	347,531	1,410,628
Currency translation difference	-	-	-	(4,865)
As at 31 March 2021	<u>25,973,898</u>	<u>729,214</u>	<u>26,703,112</u>	<u>108,014,088</u>
Less: Accumulated amortisation				
As at 1 January 2021	10,579,042	454,360	11,033,402	44,630,111
Additions	992,088	44,025	1,036,113	4,205,583
Currency translation difference	-	-	-	(14,506)
As at 31 March 2021	<u>11,571,130</u>	<u>498,385</u>	<u>12,069,515</u>	<u>48,821,188</u>
Carrying amounts	<u>14,402,768</u>	<u>230,829</u>	<u>14,633,597</u>	<u>59,192,900</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

12. Right-of-use assets (continued)

	<i>For the three-month period ended 31 March 2020</i>			
	<i>Office space</i>	<i>ATM space</i>	<i>Total</i>	
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Cost				
As at 1 January 2020	20,863,158	500,461	21,363,619	87,056,750
Additions	1,294,995	91,438	1,386,433	5,634,464
Expirations/terminations	(5,261)	(29,958)	(35,219)	(143,130)
Currency translation difference	-	-	-	(98,714)
As at 31 March 2020	<u>22,152,892</u>	<u>561,941</u>	<u>22,714,833</u>	<u>92,449,370</u>
Less: Accumulated depreciation				
As at 1 January 2020	6,722,452	280,902	7,003,354	28,538,670
Additions	930,641	42,039	972,680	3,952,968
Expirations/terminations	(4,898)	(1,040)	(5,938)	(24,130)
Currency translation difference	-	-	-	(29,218)
As at 31 March 2020	<u>7,648,195</u>	<u>321,901</u>	<u>7,970,096</u>	<u>32,438,290</u>
Carrying amounts	<u>14,504,697</u>	<u>240,040</u>	<u>14,744,737</u>	<u>60,011,080</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

13. Intangible assets

	<i>For the three-month period ended 31 March 2021</i>			
	<i>Computer software USD</i>	<i>Core banking system license USD</i>	<i>Work in progress USD</i>	<i>Total USD</i>
Cost				
As at 1 January 2021	1,220,319	2,891,587	-	4,111,906
Additions	43,735	-	-	43,735
As at 31 March 2021	1,264,054	2,891,587	-	4,155,641
Less: Accumulated amortisation				
As at 1 January 2021	817,815	1,686,923	-	2,504,738
Amortisation	25,860	46,443	-	72,303
As at 31 March 2021	843,675	1,733,366	-	2,577,041
Carrying amounts				
As at 31 March 2021	420,379	1,158,221	-	1,578,600
KHR'000 equivalent (Note 4)	1,700,434	4,685,003	-	6,385,437
	<i>For the three-month period ended 31 March 2020</i>			
	<i>Computer software USD</i>	<i>Core banking system license USD</i>	<i>Work in progress USD</i>	<i>Total USD</i>
Cost				
As at 1 January 2020	1,121,820	2,515,752	-	3,637,572
Additions	60,172	16,635	-	76,807
As at 31 March 2020	1,181,992	2,532,387	-	3,714,379
Less: Accumulated amortisation				
As at 1 January 2020	720,398	1,417,288	-	2,137,686
Amortisation	23,667	63,488	-	87,155
As at 31 March 2020	744,065	1,480,776	-	2,224,841
Carrying amounts				
As at 31 March 2020	437,927	1,051,611	-	1,489,538
KHR'000 equivalent (Note 4)	1,782,363	4,280,057	-	6,062,420

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

14. Deposits from banks and other financial institutions

	31 March 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Term deposits	55,351,070	223,895,078	36,497,989	147,634,366
Savings deposits	1,254,021	5,072,515	734,828	2,972,379
	<u>56,605,091</u>	<u>228,967,593</u>	<u>37,232,817</u>	<u>150,606,745</u>

15. Deposits from customers

	31 March 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Term deposits	2,029,153,854	8,207,927,339	1,956,078,958	7,912,339,385
Savings deposits	119,644,021	483,960,065	118,601,985	479,745,029
	<u>2,148,797,875</u>	<u>8,691,887,404</u>	<u>2,074,680,943</u>	<u>8,392,084,414</u>

Deposits from customers are further analysed as follows:

(a) By maturity

	31 March 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Within 1 month	360,997,569	1,460,235,167	359,764,063	1,455,245,635
1 month to 3 months	392,230,549	1,586,572,571	381,907,638	1,544,816,396
3 months to 12 months	1,321,431,139	5,345,188,956	1,264,477,242	5,114,810,443
More than 12 months	74,138,618	299,890,710	68,532,000	277,211,940
	<u>2,148,797,875</u>	<u>8,691,887,404</u>	<u>2,074,680,943</u>	<u>8,392,084,414</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

15. Deposits from customers (continued)

(b) By relationship

	31 March 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Non-related parties	2,117,410,427	8,564,925,177	2,042,197,190	8,260,687,634
Related parties	31,387,448	126,962,227	32,483,753	131,396,780
	<u>2,148,797,875</u>	<u>8,691,887,404</u>	<u>2,074,680,943</u>	<u>8,392,084,414</u>

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 March 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Non-related parties	718,569,135	2,906,612,151	708,215,447	2,864,731,483
Related parties	87,213,924	352,780,323	86,214,870	348,739,149
	<u>805,783,059</u>	<u>3,259,392,474</u>	<u>794,430,317</u>	<u>3,213,470,632</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

16. Borrowings (continued)

Borrowings are further analysed as follows: (continued)

(b) By maturity

	31 March 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
On demand to 3 months	54,214,044	219,295,808	53,050,298	214,588,455
3 months to 12 months	268,043,361	1,084,235,395	244,350,237	988,396,709
1 year to 5 year	482,693,508	1,952,495,240	496,029,950	2,006,441,148
Over 5 year	832,146	3,366,031	999,832	4,044,320
	<u>805,783,059</u>	<u>3,259,392,474</u>	<u>794,430,317</u>	<u>3,213,470,632</u>

17. Bonds payable

In April 2020, the Company issued KHR 127.20 billion (equivalent to USD 31.18 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 with a coupon rate of 7.50% per annum, payable on a semi-annual basis commencing on 23 October 2020. The Company incurred debt issue costs amounting to KHR 6.21 billion (equivalent to USD1.52 million).

As at 31 March 2021, the carrying value of the bonds payable is USD31,338,949 (equivalent to KHR126.77 billion). During the period, the Company incurred interest expense on the issued bonds amounting to USD643,995 (equivalent to KHR2.6 billion) (Note 25).

18. Subordinated debts

	Note	31 March 2021		31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Subordinated debts	(a)	97,613,265	394,845,658	98,814,321	399,703,930
Trust fund	(b)	14,853,496	60,082,390	14,853,496	60,082,390
		<u>112,466,761</u>	<u>454,928,048</u>	<u>113,667,817</u>	<u>459,786,320</u>

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Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

18. Subordinated debts (continued)

(a) Subordinated debts

These are subordinated debts from foreign lenders, non-related parties, amounting to USD 46,414,842 (equivalent to KHR187.7 billion) (2020: USD48,757,974 equivalent to KHR197.2 billion) and shareholder is amounting to USD51,198,423 (equivalent to KHR207.1 billion) (2020: USD50,056,347 equivalent to KHR202.4 billion) which were approved by the NBC and are repayable based on the agreed schedules stated in each loan agreement. The amount is included as Tier 2 Capital for purpose of net worth calculation.

(b) Trust fund

	31 March 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	11,280,672	45,630,317
Cambodia Rural Development Foundation ("CRDF")	3,572,824	14,452,073	3,572,824	14,452,073
	<u>14,853,496</u>	<u>60,082,390</u>	<u>14,853,496</u>	<u>60,082,390</u>

RGC

This trust fund denominated in KHR represents subordinated debt transferred to RGC on 31 December 2004.

This subordinated debt is considered as "Tier 2 Capital" in the context of Article 6 of Prakas No. B7-010-182 on The Calculation of the Banks' Net Worth dated 15 October 2010 which was also approved by the NBC for inclusion in the calculation of net worth following Prakas No. B7-018-068 dated 22 February 2018.

CRDF

The full amount of the subordinated debt from the CRDF fund shall be included in the calculation of the net worth as Tier 2 Capital in the context of the calculation of net worth and for all prudential ratio purposes, such as the capital adequacy ratio.

On 28 December 2016, PRASAC Financial Trust and the Company agreed to an annual interest rate of 3% on the trust fund (both the RGC and CRDF) with a five-year term. The interest rate and the term of the trust fund shall be revisited and negotiated every five years (before the end of the term).

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Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

19. Lease liabilities

	31 March 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	4,926,783	19,928,837	4,926,938	19,929,464
One to five years	12,541,406	50,729,987	13,233,200	53,528,294
More than five years	915,933	3,704,949	1,075,061	4,348,622
Total undiscounted lease liabilities	<u>18,384,122</u>	<u>74,363,773</u>	<u>19,235,199</u>	<u>77,806,380</u>
Present value of lease liabilities				
Current	3,640,367	14,725,285	3,640,367	14,725,285
Non-current	10,169,497	41,135,615	10,784,451	43,623,104
	<u>13,809,864</u>	<u>55,860,900</u>	<u>14,424,818</u>	<u>58,348,389</u>

Amounts recognised in profit or loss:

	<i>For the three-month period ended 31 March 2021</i>	<i>For the three-month period ended 31 March 2020</i>
	USD	USD
Expenses relating to short-term leases	203,765	119,465
Interest on lease liabilities	273,795	274,506
	<u>477,560</u>	<u>393,971</u>
KHR'000 equivalent (Note 4)	<u>1,938,416</u>	<u>1,601,098</u>

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

	<i>For the three-month period ended 31 March 2021</i>	<i>For the three-month period ended 31 March 2020</i>
	USD	USD
Total cash outflows for leases	<u>(1,236,280)</u>	<u>(1,121,220)</u>
KHR'000 equivalent (Note 4)	<u>(5,018,061)</u>	<u>(4,556,638)</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 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.

Income tax expense comprises:

	<i>For the three-month period ended 31 March 2021</i>		<i>For the three-month period ended 31 March 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Current tax	9,813,125	39,831,474	7,480,181	30,399,454
Deferred tax	(823,504)	(3,342,602)	(1,317,186)	(5,353,042)
Tax incentive on bond listing	(206,075)	(836,458)	-	-
	<u>8,783,546</u>	<u>35,652,414</u>	<u>6,162,995</u>	<u>25,046,412</u>

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

	<i>For the three-month period ended 31 March 2021</i>		<i>For the three-month period ended 31 March 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Profit before income tax	<u>44,747,601</u>	<u>181,630,514</u>	<u>30,645,226</u>	<u>124,542,203</u>
Income tax expense at applicable tax rate of 20%	8,949,520	36,326,102	6,129,045	24,908,439
Non-deductible expenses	40,101	162,770	33,950	137,973
Tax incentive on bond listing	(206,075)	(836,458)	-	-
	<u>8,783,546</u>	<u>35,652,414</u>	<u>6,162,995</u>	<u>25,046,412</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

20. Income tax (continued)

(b) Income tax payable

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

	<i>For the three-month period ended 31 March 2021</i>		<i>For the three-month period ended 31 March 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Balance at beginning of period	24,076,695	97,390,231	23,414,889	95,415,673
Current tax	9,813,125	39,831,474	7,480,181	30,399,454
Income tax paid	(24,914,691)	(101,128,731)	(24,051,304)	(97,744,499)
Tax incentive on bond listing	(206,075)	(836,458)	-	-
Currency translation difference	-	214,307	-	(216,500)
Balance at end of period	<u>8,769,054</u>	<u>35,470,823</u>	<u>6,843,766</u>	<u>27,854,128</u>

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 issued 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 period ended 31 March 2021

20. Income tax (continued)

(c) Deferred tax assets, net

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

	31 March 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Unamortised loan fees	6,173,213	24,970,647	5,771,758	23,346,761
Allowance for impairment losses	4,613,678	18,662,327	4,506,554	18,229,011
Unused annual leave	553,242	2,237,864	382,077	1,545,501
Provision for employee benefits	283,640	1,147,324	87,075	352,218
Accrued interest receivable	8,643	34,961	13,934	56,363
Right-of-use assets and lease liabilities	7,613	30,795	63,709	257,703
Unamortised borrowing fees	(1,931)	(7,811)	172,950	699,583
Property and equipment	(218,529)	(883,950)	(219,976)	(889,803)
Foreign exchange differences	308,786	1,249,039	126,770	512,785
Deferred tax assets – net	<u>11,728,355</u>	<u>47,441,196</u>	<u>10,904,851</u>	<u>44,110,122</u>

21. Provision for employee benefits

	For the three-month period ended 31 March 2021		For the three-month period ended 31 March 2020	
	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
Additions during the period	984,435	3,995,821	882,076	3,584,757
Payments during the period	(1,611)	(6,539)	(2,693)	(10,944)
Currency translation difference	-	(13,759)	-	4,903
Balance at end of period	<u>1,418,199</u>	<u>5,736,615</u>	<u>953,945</u>	<u>3,882,556</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

22. Other liabilities

	31 March 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Accrued bonus/incentive	6,827,457	27,617,064	1,000,000	4,045,000
Accrued expenses	3,253,103	13,158,802	2,237,474	9,050,582
Withholding tax payable	1,105,756	4,472,783	1,208,570	4,888,666
Account payables	1,092,557	4,419,393	2,096,877	8,481,867
Tax on salary	136,583	552,478	1,326,675	5,366,400
Others	4,893	19,792	4,005	16,201
	<u>12,420,349</u>	<u>50,240,312</u>	<u>7,873,601</u>	<u>31,848,716</u>

23. Equity and reserves

(a) Share capital

All 230,000,000 ordinary shares are registered, issued, and paid-up with a par value of KHR4,000 per share.

There was no change in shareholders or shareholding structure during the period. Details of shareholding are as follows:

	31 March 2021			31 December 2020		
	USD	KHR'000 equivalent (Note 4)	%	USD	KHR'000 equivalent (Note 4)	%
KB	161,000,000	644,000,000	70.00	161,000,000	644,000,000	70.00
LOLC	48,300,000	193,200,000	21.00	48,300,000	193,200,000	21.00
BEA	14,490,000	57,960,000	6.30	14,490,000	57,960,000	6.30
PSCo	6,210,000	24,840,000	2.70	6,210,000	24,840,000	2.70
	<u>230,000,000</u>	<u>920,000,000</u>	<u>100.00</u>	<u>230,000,000</u>	<u>920,000,000</u>	<u>100.00</u>

Abbreviation:

KB: Kookmin Bank

LOLC: LOLC INTERNATIONAL PRIVATE LIMITED

BEA: The Bank of East Asia, Limited

PSCo: PRASAC Staff Company Limited

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

23. Equity and reserves (continued)

(a) Share capital (continued)

In December 2019, KB, a subsidiary of KB Financial Group, agreed to buy a 70% stake in the Company. On 29 January 2020, the Company received approval from the NBC on KB's investment in PRASAC. On 13 April 2020, the sale was finalised and settlement has been made. In the process, the Company changed its corporate name from "PRASAC Microfinance Institution Limited" to "PRASAC Microfinance Institution Plc." effective 9 April 2020.

(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. As at 31 March 2021, this non-distributable reserve amounted to USD 3.16 million (31 December 2020: USD 3.15 million).

(c) Regulatory reserve

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

	<i>For the three-month period ended 31 March 2021</i>		<i>For the three-month period ended 31 March 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD (Restated)</i>	<i>KHR'000 equivalent (Note 4) (Restated)</i>
Balance as at beginning of period	461,332	1,778,127	2,644,420	10,715,190
Transfer from/(to) retained earnings	<u>662,073</u>	<u>2,687,354</u>	<u>(2,644,420)</u>	<u>(10,715,190)</u>
Balance as at end of period	<u>1,123,405</u>	<u>4,465,481</u>	<u>-</u>	<u>-</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

24. Interest income

	<i>For the three-month period ended 31 March 2021</i>		<i>For the three-month period ended 31 March 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Individual loans	118,724,982	481,904,703	104,069,697	422,939,251
Balances with other banks	54,903	222,851	4,305	17,495
Balances with NBC	24,534	99,584	79,148	321,657
Group loans	13,922	56,509	26,208	106,509
	<u>118,818,341</u>	<u>482,283,647</u>	<u>104,179,358</u>	<u>423,384,912</u>

25. Interest expense

	<i>For the three-month period ended 31 March 2021</i>		<i>For the three-month period ended 31 March 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Deposits from customers	33,908,435	137,634,339	29,309,683	119,114,553
Borrowings	12,216,107	49,585,180	14,640,317	59,498,248
Subordinated debts	2,639,758	10,714,777	1,802,110	7,323,775
Bond payables	643,995	2,613,976	-	-
Deposits from banks and other financial institutions	535,731	2,174,532	2,369,473	9,629,537
Lease liabilities	273,795	1,111,332	274,506	1,115,593
	<u>50,217,821</u>	<u>203,834,136</u>	<u>48,396,089</u>	<u>196,681,706</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

26. Net fees and commission income

	<i>For the three-month period ended 31 March 2021</i>		<i>For the three-month period ended 31 March 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Instalment fee income	1,971,949	8,004,141	1,720,440	6,991,868
Local remittance services income	201,901	819,517	228,538	928,779
Fees and commission income	2,173,850	8,823,658	1,948,978	7,920,647
Bank charges on borrowings	(20,580)	(83,535)	(32,246)	(131,048)
Others	(495)	(2,009)	-	-
Net fees and commission	<u>2,152,775</u>	<u>8,738,114</u>	<u>1,916,732</u>	<u>7,789,599</u>

27. Other income

	<i>For the three-month period ended 31 March 2021</i>		<i>For the three-month period ended 31 March 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Penalty from loans	1,700,408	6,901,956	1,292,107	5,251,123
Loan written-off recovery	854,390	3,467,969	1,225,466	4,980,294
Others	322,897	1,310,640	298,154	1,211,699
	<u>2,877,695</u>	<u>11,680,565</u>	<u>2,815,727</u>	<u>11,443,116</u>

28. Personnel expenses

	<i>For the three-month period ended 31 March 2021</i>		<i>For the three-month period ended 31 March 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Salaries and wages	12,397,822	50,322,759	12,216,752	49,648,880
Bonuses and incentives	5,829,119	23,660,395	4,772,649	19,396,046
Employee benefit	984,435	3,995,822	882,076	3,584,757
Employee social welfare fund expenses	268,096	1,088,202	267,759	1,088,173
Staff uniform	-	-	59,307	241,024
Medical expenses	2,844	11,544	2,869	11,660
Other employee benefits	902,716	3,664,123	728,628	2,961,143
	<u>20,385,032</u>	<u>82,742,845</u>	<u>18,930,040</u>	<u>76,931,683</u>

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Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

29. General and administrative expenses

	<i>For the three-month period ended 31 March 2021</i>		<i>For the three-month period ended 31 March 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Fuel costs	926,018	3,758,707	947,144	3,849,193
Printing and stationery	343,775	1,395,383	320,281	1,301,622
Utilities	281,263	1,141,647	291,146	1,183,217
Transportation	268,756	1,090,881	290,375	1,180,084
Repair and maintenance	266,015	1,079,755	259,830	1,055,949
Rental	203,765	827,084	119,465	485,504
Office supplies	203,716	826,883	295,603	1,201,331
Communications	199,197	808,541	201,847	820,306
Other tax expenses	195,991	795,527	181,161	736,238
License fees	162,216	658,435	328,362	1,334,463
Professional fees	161,085	653,844	178,377	724,924
Marketing and promotions	117,747	477,935	155,050	630,123
Bank charges	112,996	458,651	75,369	306,300
Stamp tax	56,571	229,622	310	1,260
Traveling	32,357	131,337	106,921	434,527
Donation	7,531	30,568	57,257	232,692
Training	7,056	28,640	42,395	172,293
Other expenses	95,292	386,788	92,575	376,226
	<u>3,641,347</u>	<u>14,780,228</u>	<u>3,943,468</u>	<u>16,026,252</u>

30. Depreciation and amortisation

	<i>For the three-month period ended 31 March 2021</i>		<i>For the three-month period ended 31 March 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Property and equipment	503,084	2,042,018	520,742	2,116,296
Intangible assets	72,303	293,478	87,155	354,197
Right-of-use assets	1,036,113	4,205,583	972,679	3,952,968
	<u>1,611,500</u>	<u>6,541,079</u>	<u>1,580,576</u>	<u>6,423,461</u>

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Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

31. Net cash used in operating activities

	<i>For the three-month period ended 31 March 2021</i>		<i>For the three-month period ended 31 March 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD (Restated)</i>	<i>KHR'000 equivalent (Note 4) (Restated)</i>
Net profit for the period	35,964,055	145,978,100	24,482,231	99,495,791
<i>Adjustments for:</i>				
Depreciation and amortisation	30	1,611,500	6,541,079	1,580,576
Gain on disposal of property and equipment		(59,780)	(242,647)	(5,625)
Net interest income		(68,600,520)	(278,449,511)	(55,783,269)
Allowance for impairment losses	9	4,252,318	17,260,159	6,570,328
Income tax expense	20(a)	8,783,546	35,652,414	6,162,995
Provision for employee benefits expense	21	984,435	3,995,821	882,076
		(17,064,446)	(69,264,585)	(16,110,688)
				(65,473,832)
<i>Changes in:</i>				
Balances with the NBC		(8,471,000)	(34,383,789)	(13,165,713)
Loans to customers		(189,348,538)	(768,565,716)	(221,700,155)
Other assets		(383,179)	(1,555,324)	6,618,527
Deposits from banks and other financial institutions		19,509,193	79,187,814	(16,106,171)
Deposits from customers		73,606,874	298,770,302	45,783,362
Other liabilities		4,546,748	18,455,250	6,606,490
Cash used in operations		(117,604,348)	(477,356,048)	(208,074,348)
Interest received		116,674,763	473,582,863	102,025,222
Interest expense paid		(48,383,379)	(196,388,135)	(53,573,722)
Income tax paid	20(b)	(24,914,691)	(101,128,731)	(24,051,304)
Employee benefits paid	21	(1,611)	(6,539)	(2,693)
Net cash used in operating activities		(74,229,266)	(301,296,590)	(183,676,845)
				(746,462,694)

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Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

32. Related party transactions and balances

(a) Significant transactions with related parties:

Related party	Transactions	For the three-month period ended 31 March 2021		For the three-month period ended 31 March 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Board of Directors	Fees and related expenses	63,379	257,255	81,564	331,476
	Interest expense	845	3,430	49,461	201,010
Shareholders	Interest expense	1,143,072	4,639,729	382,463	1,554,330
	Fees and commissions on loans	215,957	876,569	23,025	93,574
Key management personnel	Salaries and employee benefits	930,101	3,775,281	699,460	2,842,605
	Interest expense	506,795	2,057,081	150,545	611,813
	Employee benefits expense	40,976	166,322	39,746	161,528

(b) Balances with related parties:

Related party	Account	31 March 2021		31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Directors and key management	Deposits	27,649,676	111,842,939	29,515,649	119,390,799
	Loans	1,177,153	4,761,586	805,477	3,258,154
BEA	Borrowings	4,008,207	16,213,197	6,003,274	24,283,243
KB	Borrowings & Subordinated debt	134,404,140	543,664,746	130,267,943	526,933,829
PSCo	Deposits	3,737,772	15,119,288	2,968,104	12,005,981

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Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

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.

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 and banks, 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 is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

- *Deposits, borrowings and subordinated debts*

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

- *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.

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

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

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.

The table below summarises the fair value hierarchy of financial assets which are not measured at fair value but for which fair value is disclosed.

	<i>Carrying value</i>	<i>31 March 2021</i>			
		<i>Fair value</i>			
		<i>Total</i>	<i>Quoted prices in active market Level 1</i>	<i>Significant observable inputs Level 2</i>	<i>Significant unobservable inputs Level 3</i>
<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	
Financial assets for which fair values are disclosed					
Loans and receivables	<u>3,165,805</u>	<u>3,318,215</u>	-	-	<u>3,318,215</u>
KHR'000,000 equivalent (<i>Note 4</i>)	<u>12,805,680</u>	<u>13,422,180</u>	-	-	<u>13,422,180</u>
Financial liabilities for which fair values are disclosed					
Borrowings	805,783	808,857	-	-	808,857
Bond payables	31,339	31,504	-	-	31,504
Subordinated debts	<u>112,467</u>	<u>110,478</u>	-	-	<u>110,478</u>
	<u>949,589</u>	<u>950,839</u>	-	-	<u>950,839</u>
KHR'000,000 equivalent (<i>Note 4</i>)	<u>3,841,088</u>	<u>3,846,144</u>	-	-	<u>3,846,144</u>

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Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

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

Fair value hierarchy (continued)

	31 December 2020				
	Carrying value	Fair value			
		Quoted prices in active market	Significant observable inputs	Significant unobservable inputs	
	USD'000	Total USD'000	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000
Financial assets for which fair values are disclosed					
Loans and receivables	<u>2,978,580</u>	<u>3,122,262</u>	-	-	<u>3,122,262</u>
KHR'000,000 equivalent (Note 4)	<u>12,048,356</u>	<u>12,629,550</u>	-	-	<u>12,629,550</u>
Financial liabilities for which fair values are disclosed					
Borrowings	794,430	802,686	-	-	802,686
Bond payables	30,666	31,978	-	-	31,978
Subordinated debts	<u>113,668</u>	<u>115,584</u>	-	-	<u>115,584</u>
	<u>938,764</u>	<u>950,248</u>	-	-	<u>950,248</u>
KHR'000,000 equivalent (Note 4)	<u>3,797,300</u>	<u>3,843,753</u>	-	-	<u>3,843,753</u>

During the period/year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

34. Tax contingency

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 period ended 31 March 2021

35. Restatement of prior period balances

Certain prior period balances have been reclassified to be consistent with the current period disclosure. The details of the reclassification 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 overstated by USD57,237,535 and the deposits from bank and financial institutions, the deposits from customers, the borrowings, the bond payable and the subordinated debts understated by USD1,087,600, USD49,461,842, USD5,056,882, USD414,364 and USD1,216,847, respectively.

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 31 December 2020, the regulatory provision is higher than allowance for impairment loss under CIFRS 9 by USD461,332. However, the Company has used the impairment expense as the basis of calculating the regulatory reserve. As a result, the regulatory reserve overstated by USD1,464,505 and the retained earnings understated by USD1,464,505.

The summary of the line items affected by the reclassifications on the 31 December 2020 financial statements are as follows:

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Notes to the condensed interim financial statements (continued) for the three-month period ended 31 March 2021

35. Restatement of prior period balances (continued)

Statement of financial position

	As at 31 December 2020			As restated KHR'000 equivalent (Note 4)
	As previously reported USD	Reclassification USD	As restated USD	
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
Debt securities issued	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
	<u>3,058,551,533</u>	<u>-</u>	<u>3,058,551,533</u>	<u>12,371,840,951</u>
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
	<u>285,686,172</u>	<u>-</u>	<u>285,686,172</u>	<u>1,165,675,220</u>