

**PRASAC Microfinance Institution Plc.**  
*(formerly PRASAC Microfinance Institution Limited)*

Report of the Board of Directors  
and  
Audited Financial statements in accordance with  
Cambodian International Financial Reporting Standards

as at 31 December 2020 and for the year then ended

PRASAC Microfinance Institution Plc.  
(formerly PRASAC Microfinance Institution Limited)

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## REPORT OF THE BOARD OF DIRECTORS

The Board of Directors ("BOD") of PRASAC Microfinance Institution Plc. (*formerly PRASAC Microfinance Institution Limited*) ("the Company") is pleased to present its report and the Company's financial statements as at 31 December 2020 and for the year then ended.

### THE COMPANY

The Company was incorporated in Cambodia and registered with the Ministry of Commerce 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 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 registered office is at Building 212, Street 271, Sangkat Tuol Tumpung 2, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

### FINANCIAL RESULTS

The financial results of the Company for the year ended 31 December 2020 were disclosed in the statement of comprehensive income.

### DIVIDENDS

No dividends were declared or paid during the year and the BOD 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 year other than those disclosed in the financial statements.

### EXPECTED CREDIT LOSSES ON LOANS TO CUSTOMERS

Before the financial statements of the Company were drawn up, the BOD 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 allowance for expected credit losses on loans to customers had been made.

At the date of this report, the BOD is not aware of any circumstances which would render the amount written off for bad loans or the amount of allowance for expected credit losses on loans to customers in the financial statements of the Company inadequate in any material respects.

**PRASAC Microfinance Institution Plc.**  
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REPORT OF THE BOARD OF DIRECTORS (continued)

**ASSETS**

Before the financial statements of the Company were prepared, the BOD took reasonable steps to ensure that any assets, other than debts, which were unlikely to be realized 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 BOD is not aware of any circumstances, which would render the values attributed to the assets in the financial statements of the Company misleading.

**VALUATION METHODS**

At the date of this report, the BOD is not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the 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 year after the end of the reporting period which, in the opinion of the BOD, 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 BOD is not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company, which would render any amount stated in the financial statements misleading.

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

There has not nothing arisen during in the interval between the end of the reporting year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the BOD, to affect substantially the results of the operations of the Company for the current reporting year in which this report is made.

**SUBSEQUENT EVENTS**

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

**PRASAC Microfinance Institution Plc.**  
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REPORT OF THE BOARD OF DIRECTORS (continued)

**THE BOARD OF DIRECTORS**

The members of the BOD during the year and at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Chan Tze Ching Ignatius	Chairman	10 March 2017 (resigned on 10 April 2020)
Mr. Kwi Sang JUN	Chairman	10 April 2020
Mr. Hak Soo KIM	Member	10 April 2020
Mr. Ji Kyu JANG	Member	10 April 2020
Mr. Ishara Chinthaka Nanayakkara	Member	10 March 2017
Mr. Sim Senacheert	Member	10 March 2017
Mr. Yuen Wai Hung Peter	Member	10 March 2017 (resigned on 10 April 2020)
Mr. Thilakarathne Don Manuwelge Don Krishan	Member	10 April 2018 (resigned on 10 April 2020)
Mr. Minki Brian HONG	Member	10 March 2017
Mr. Hwan Kook KIM	Independent member	10 April 2020
Mr. Hana LEE	Independent member	10 April 2020
Mr. Bell Sak Pheakdey	Independent member	10 April 2020
Mr. Hiep Van Vo	Independent member	10 March 2017 (resigned on 10 April 2020)

**KEY MANAGEMENT**

Members of the key management during the year and at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Sim Senacheert	President & Chief Executive Officer	17 November 2003
Mr. Oum Sophan	EVP & Chief Financial Officer	01 June 2008
Mr. Oum Sam Oeun	EVP & Chief Operations Officer	10 April 2007
Mr. Neang Sokhim	EVP & Chief Business Management	10 November 2010
Mr. Say Sony	EVP & Chief Marketing Management	10 November 2010
Mr. Choub Veasna	EVP & Chief Human Resource Officer	05 February 2020
Mr. Chea Hang	EVP & Chief Corporate Strategy and Business Plan Officer	24 February 2020

**AUDITOR**

Ernst & Young (Cambodia) Ltd. is the auditor of the Company.

**DIRECTORS' INTEREST**

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

**DIRECTORS' BENEFITS**

During and at the end of the year, 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 entity.

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 financial statements.

**PRASAC Microfinance Institution Plc.**  
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REPORT OF THE BOARD OF DIRECTORS (continued)

**STATEMENT OF THE BOD'S RESPONSIBILITY IN RESPECT TO THE FINANCIAL STATEMENTS**

The BOD is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs"). The BOD oversees preparation of these 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 CIFRSs or, if there has been any departure in the interest of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- Maintain adequate accounting records and an effective system of internal controls;
- Prepare the 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 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 BOD confirms that the management has complied with the above requirements in preparing the financial statements.

**APPROVAL OF THE FINANCIAL STATEMENTS**

We hereby approve the accompanying financial statements.

On behalf of the Board of Directors 



Sim Senacheert  
Director



Phnom Penh, Kingdom of Cambodia

31 March 2021

Reference: 61398519/21892633

## INDEPENDENT AUDITOR'S REPORT

**To: The Shareholders of PRASAC Microfinance Institution Plc.**

### *Opinion*

We have audited the financial statements of PRASAC Microfinance Institution Plc. (*formerly PRASAC Microfinance Institution Limited*) ("the Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

### *Basis for Opinion*

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Prakas on the Code of Ethics for Professional Accountants and Auditors issued by the Royal Government of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matter*

A key audit matter is a matter that, in our professional judgment, is of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

#### *Allowance for Expected Credit Losses on Loans to Customers*

The Company's application of the expected credit loss model in calculating the allowance for expected credit losses ("ECLs") on loans to customers resulted to the recognition of allowance for ECLs as at 31 December 2020 amounting to USD49.61 million (KHR 200.69 billion), and provision for ECLs during the year amounting to USD23.38 million (KHR 95.50 billion). We consider this is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Company's credit risk exposures; determining the method to estimate ECLs; taking into account extension of payment terms provided as a result of the coronavirus pandemic, defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the expected life of the financial asset and expected recoveries from defaulted accounts; and incorporating forward-looking information in calculating ECLs.

**Key Audit Matter** (continued)

*Allowance for Expected Credit Losses on Loans to Customers* (continued)

The significant accounting policy, significant accounting judgement and disclosures related to the allowance for ECLs on loans to customers are included in Note 2.2.1 (vi), Note 2.3.2.1 and Note 6 to the financial statements, respectively.

We obtained an understanding and tested key controls over the origination and approval and credit monitoring of loans to customers. Specifically, we (a) assessed the Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place, (c) tested loss given default by inspecting historical recoveries; (d) tested exposure at default considering outstanding commitments and repayment scheme; (e) checked the reasonableness of multiple probability-weighted scenarios as well as forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Company's lending portfolios and broader industry knowledge; and (f) tested the interest rate used in discounting the expected losses. Further, we checked the data used in the ECL models by reconciling data from source system reports to the database and from the database to the allowance for expected credit losses analysis/models and financial reporting systems. To the extent that the allowance for ECLs analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the allowance for ECLs analysis. We also assessed the assumptions used where there are missing or insufficient data. Additionally, we recalculated impairment provisions on a sample basis. We also reviewed the completeness of the disclosures made in the financial statements.

**Other Information**

The other information obtained at the date of the auditor's report comprises the Report of the Board of Directors as set out in pages 1 to 4. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with CIFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Maria Cristina M. Calimbas  
Partner

**Ernst & Young (Cambodia) Ltd.**  
Certified Public Accountants  
Registered Auditors

Phnom Penh, Kingdom of Cambodia

31 March 2021

PRASAC Microfinance Institution Plc.  
(formerly PRASAC Microfinance Institution Limited)

STATEMENT OF FINANCIAL POSITION  
as at 31 December 2020

	Notes	31 December 2020		31 December 2019	
		USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
<b>ASSETS</b>					
Cash on hand	3	160,578,086	649,538,358	150,702,355	614,112,097
Balances with the National Bank of Cambodia	4	438,355,399	1,773,147,589	439,823,205	1,792,279,560
Balances with other banks	5	3,975,029	16,078,992	1,092,239	4,450,874
Loans to customers	6	2,978,579,934	12,048,355,833	2,468,225,611	10,058,019,365
Other assets	7	1,341,096	5,424,733	8,723,049	35,546,425
Property and equipment	8	5,662,803	22,906,039	4,906,287	19,993,120
Right-of-use assets	9	15,322,179	61,978,214	14,360,265	58,518,080
Intangible assets	10	1,607,168	6,500,995	1,499,886	6,112,035
Deferred tax assets	17.3	10,904,851	44,110,122	9,198,173	37,482,555
<b>TOTAL ASSETS</b>		<b>3,616,326,545</b>	<b>14,628,040,875</b>	<b>3,098,531,070</b>	<b>12,626,514,111</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>LIABILITIES</b>					
Deposits from banks and other financial institutions	11	36,145,217	146,207,403	55,092,001	224,499,904
Deposits from customers	12	2,025,219,101	8,192,011,264	1,733,440,925	7,063,771,769
Borrowings	13	789,373,435	3,193,015,545	724,296,717	2,951,509,122
Bonds payable	14	30,251,674	122,368,021	-	-
Subordinated debts	15	112,450,970	454,864,174	75,910,811	309,336,555
Lease liabilities	16	14,424,818	58,348,389	13,172,728	53,678,867
Income tax payable	17.2	24,076,695	97,390,231	23,414,889	95,415,673
Provision for employee benefits	18	435,375	1,761,092	74,562	303,840
Other liabilities	19	65,111,136	263,374,544	63,119,300	257,211,148
<b>Total liabilities</b>		<b>3,097,488,421</b>	<b>12,529,340,663</b>	<b>2,688,521,933</b>	<b>10,955,726,878</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	20	230,000,000	920,000,000	230,000,000	920,000,000
Retained earnings		283,760,335	1,157,926,306	172,806,881	705,569,074
Reserve fund	20	3,151,952	12,773,175	3,093,332	12,534,181
Regulatory reserve	20	1,925,837	7,748,914	4,108,924	16,649,360
Cumulative translation differences		-	251,817	-	16,034,618
<b>Total shareholders' equity</b>		<b>518,838,124</b>	<b>2,098,700,212</b>	<b>410,009,137</b>	<b>1,670,787,233</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>3,616,326,545</b>	<b>14,628,040,875</b>	<b>3,098,531,070</b>	<b>12,626,514,111</b>

The attached notes 1 to 35 form part of these financial statements.

PRASAC Microfinance Institution Plc.  
(formerly PRASAC Microfinance Institution Limited)

STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2020

	Notes	For the year ended 31 December 2020		For the year ended 31 December 2019	
		USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Interest income	21	430,325,525	1,754,665,831	356,255,368	1,443,546,752
Interest expense	22	(198,398,688)	(809,054,635)	(164,562,125)	(666,805,731)
<b>Net interest income</b>		<b>231,926,837</b>	<b>945,611,196</b>	<b>191,693,243</b>	<b>776,741,021</b>
Fees and commission income	23	6,877,558	28,044,684	18,246,102	73,933,206
Fees and commission expense	23	(163,152)	(666,270)	(3,472,222)	(14,069,445)
<b>Net fees and commission income</b>		<b>6,714,406</b>	<b>27,378,414</b>	<b>14,773,880</b>	<b>59,863,761</b>
Other income	24	9,005,549	36,720,443	11,694,033	47,384,220
Grant income		996,785	4,064,307	-	-
Net foreign exchange gain (loss)		514,961	2,102,574	(516,353)	(2,092,260)
<b>Total other income</b>		<b>10,517,295</b>	<b>42,887,324</b>	<b>11,177,680</b>	<b>45,291,960</b>
<b>Total interest, fees, commission and other income</b>		<b>249,158,538</b>	<b>1,015,876,934</b>	<b>217,644,803</b>	<b>881,896,742</b>
Personnel expenses	25	(67,850,856)	(276,712,333)	(60,094,764)	(243,503,984)
Provisions for expected credit losses	6	(23,411,178)	(95,620,177)	(9,298,198)	(37,676,298)
General and administrative expenses	26	(15,984,672)	(65,178,207)	(12,678,674)	(51,373,987)
Depreciation and amortisation	27	(6,570,058)	(26,791,531)	(6,125,829)	(24,821,859)
<b>Profit before income tax</b>		<b>135,341,774</b>	<b>551,574,686</b>	<b>129,447,338</b>	<b>524,520,614</b>
Income tax expense	17.1	(26,512,787)	(108,057,578)	(25,942,020)	(105,117,065)
<b>Net profit for the year</b>		<b>108,828,987</b>	<b>443,517,108</b>	<b>103,505,318</b>	<b>419,403,549</b>
<i>Other comprehensive (loss) income</i>					
Translation difference		-	(15,782,801)	-	19,828,416
<b>Total comprehensive income</b>		<b>108,828,987</b>	<b>427,734,307</b>	<b>103,505,318</b>	<b>439,231,965</b>

The attached notes 1 to 35 form part of these financial statements.

PRASAC Microfinance Institution Plc.  
(formerly PRASAC Microfinance Institution Limited)

STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 December 2020

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Reserve fund</i>	<i>Regulatory reserve</i>	<i>Cumulative translation differences</i>	<i>Total</i>
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>	<i>USD</i>
Balance as at 1 January 2020	230,000,000	172,806,881	3,093,332	4,108,924	16,034,618	410,009,137
Net profit for the year	-	108,828,987	-	-	-	108,828,987
Transfer from regulatory reserve to retained earnings	-	2,183,087	-	(2,183,087)	-	-
Transfer from retained earnings to reserve fund	-	(58,620)	58,620	-	-	-
Translation difference	-	-	-	-	(15,782,801)	-
<b>Balance as at 31 December 2020</b>	<b>230,000,000</b>	<b>283,760,335</b>	<b>3,151,952</b>	<b>1,925,837</b>	<b>-</b>	<b>518,838,124</b>
<b>KHR'000 equivalent (Note 2.1.1)</b>	<b>920,000,000</b>	<b>1,157,926,306</b>	<b>12,773,175</b>	<b>7,748,914</b>	<b>251,817</b>	<b>2,098,700,212</b>
Balance as at 1 January 2019	110,000,000	193,228,719	2,976,091	299,009	(3,793,798)	306,503,819
Net profit for the year	-	103,505,318	-	-	-	103,505,318
Capitalization of retained earnings	120,000,000	(120,000,000)	-	-	-	-
Transfer from retained earnings to regulatory reserve	-	(3,809,915)	-	3,809,915	-	-
Transfer from retained earnings to reserve fund	-	(117,241)	117,241	-	-	-
Translation difference	-	-	-	-	19,828,416	-
<b>Balance as at 31 December 2019</b>	<b>230,000,000</b>	<b>172,806,881</b>	<b>3,093,332</b>	<b>4,108,924</b>	<b>-</b>	<b>410,009,137</b>
<b>KHR'000 equivalent (Note 2.1.1)</b>	<b>920,000,000</b>	<b>705,569,074</b>	<b>12,534,181</b>	<b>16,649,360</b>	<b>16,034,618</b>	<b>1,670,787,233</b>

The attached notes 1 to 35 form part of these financial statements.

PRASAC Microfinance Institution Plc.  
(formerly PRASAC Microfinance Institution Limited)

STATEMENT OF CASH FLOWS  
for the year ended 31 December 2020

Notes	For the year ended 31 December 2020		For the year ended 31 December 2019		
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)	
<b>OPERATING ACTIVITIES</b>					
<b>Net cash (used in) provided by operating activities</b>					
28.1	<b>(145,652,708)</b>	<b>(566,934,502)</b>	<b>35,648,497</b>	<b>144,447,711</b>	
<b>INVESTING ACTIVITIES</b>					
<i>Acquisition of:</i>					
Property and equipment	8	(2,963,009)	(12,121,830)	(2,126,449)	(8,665,280)
Intangible assets	10	(474,334)	(1,941,210)	(231,703)	(944,190)
Investment in negotiable certificates of deposit		148,888	602,252	148,160	603,752
Proceeds from disposal of property and equipment		10,890	44,050	82,114	334,615
<b>Net cash used in investing activities</b>					
	<b>(3,277,565)</b>	<b>(13,416,738)</b>	<b>(2,127,878)</b>	<b>(8,671,103)</b>	
<b>FINANCING ACTIVITIES</b>					
<i>Proceeds from:</i>					
Borrowings	28.2	422,767,803	1,710,095,763	309,065,842	1,252,334,792
Subordinated debts	28.2	50,000,000	202,250,000	20,000,000	81,040,000
Bonds payable	28.2	31,176,471	127,200,000	-	-
<i>Repayment of:</i>					
Borrowings	28.2	(353,817,494)	(1,431,191,763)	(208,937,445)	(846,614,527)
Subordinated debts	28.2	(12,000,000)	(48,540,000)	(13,333,333)	(54,026,665)
Lease liabilities	28.2	(3,749,156)	(15,165,336)	(3,301,323)	(13,376,961)
<b>Net cash provided by financing activities</b>					
	<b>134,377,624</b>	<b>544,648,664</b>	<b>103,493,741</b>	<b>419,356,639</b>	
<b>Net (decrease) increase in cash and cash equivalents</b>					
	<b>(14,552,649)</b>	<b>(35,702,576)</b>	<b>137,014,360</b>	<b>555,133,247</b>	
Cash and cash equivalents at beginning of year					
	430,322,406	1,753,563,804	290,922,079	1,168,924,914	
Translation difference					
	1,296,030	(30,830,120)	2,385,967	29,505,643	
<b>Cash and cash equivalents at end of year</b>					
3	<b>417,065,787</b>	<b>1,687,031,108</b>	<b>430,322,406</b>	<b>1,753,563,804</b>	
<b>Operational cash flows from interest</b>					
Interest received		423,628,797	1,728,163,610	352,643,149	1,427,919,374
Interest paid		198,929,098	812,933,182	148,185,245	601,495,583

The attached notes 1 to 35 form part of these financial statements.

**PRASAC Microfinance Institution Plc.**  
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NOTES TO THE FINANCIAL STATEMENTS  
as at 31 December 2020 and for the year then ended

**1. CORPORATE INFORMATION**

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

***Establishment and operations***

The Company was incorporated in Cambodia and registered with the Ministry of Commerce 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 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 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 Cambodia.

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

***Employees***

As at 31 December 2020, the Company had 9,042 employees (2019: 9,091 employees).

***Approval of the financial statements***

The financial statements were authorized for issue by the Board of Directors on 31 March 2021.

**2. ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

The financial statements have been prepared on a historical cost basis.

**2.1.1 Functional and presentation currency**

The national currency of Cambodia is the Khmer riel (“KHR”) and the Company has transactions in KHR, Thai baht (“THB”) and United States dollar (“USD”). However, as the Company transacts its business and maintains its accounting records primarily in USD, management has determined that USD is the Company’s functional currency as it reflects the economic substance of the underlying events and circumstances of the Company.

The financial statements are presented in USD. All values are rounded to the nearest dollar, except when otherwise indicated. The translation of the USD amounts into KHR is included solely for meeting the presentation requirement pursuant to the Law on Accounting and Auditing. Assets and liabilities are translated at the closing rate as at the statement of financial position date and share capital is translated at the historical rate of KHR4,000 per USD1. Exchange differences arising from the translation are recognised and accumulated in the cumulative translation differences presented under equity in the statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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**2. ACCOUNTING POLICIES** (continued)

**2.1 Basis of preparation** (continued)

**2.1.1 Functional and presentational currency** (continued)

The financial statements are presented in KHR based on the following applicable exchange rates per USD1:

	2020	2019
Closing rate	4,045	4,075
Average rate	4,077	4,052

**2.1.2 Statement of compliance**

The financial statements of the Company have been prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”), issued by the International Accounting Standards Board (“IASB”) which the Cambodian Accounting Standards Board of the National Accounting Council fully adopted.

**2.1.3 Fiscal year**

The Company’s fiscal year starts on 1 January and ends on 31 December.

**2.1.4 Presentation of financial statements**

The accompanying financial statements, including their utilization, are not designed for those who are not informed about the Kingdom of Cambodia’s accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Kingdom of Cambodia.

The accounting policies set out below have been consistently applied by the Company during the year.

**2.2 Summary of significant accounting policies**

**2.2.1 Financial assets and financial liabilities**

*(i) Recognition and initial measurement*

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on trade date, the date on which the Company commits to purchase or sell the assets.

*(ii) Classification*

*Financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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**2. ACCOUNTING POLICIES** (continued)

**2.2 Summary of significant accounting policies** (continued)

**2.2.1 Financial assets and financial liabilities** (continued)

*(ii) Classification* (continued)

*Financial assets* (continued)

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Business model assessment*

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

*Assessment of whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2020 and for the year then ended

**2. ACCOUNTING POLICIES** (continued)

**2.2 Summary of significant accounting policies** (continued)

**2.2.1 Financial assets and financial liabilities** (continued)

(ii) *Classification* (continued)

*Assessment of whether contractual cash flows are solely payments of principal and interest* (continued)

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Company considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the company's claim to cash flows from specified assets (e.g. Non-recourse loans); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

(iii) *Derecognition*

*Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit and loss.

*Financial liabilities*

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

(iv) *Fair value measurement*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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**2. ACCOUNTING POLICIES** (continued)

**2.2 Summary of significant accounting policies** (continued)

**2.2.1 Financial assets and financial liabilities** (continued)

*(iv) Fair value measurement* (continued)

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit and loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

*(v) Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

*(vi) Impairment of financial assets*

The Company records the allowance for expected credit losses (“ECLs”) for all loans and receivables and other debt financial assets not held at FVTPL all referred to as ‘financial instruments’. Equity instruments are not subject to impairment under CIFRS 9.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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**2. ACCOUNTING POLICIES** (continued)

**2.2 Summary of significant accounting policies** (continued)

**2.2.1 Financial assets and financial liabilities** (continued)

(vi) *Impairment of financial assets* (continued)

ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

*Staging assessment*

A three-stage approach for impairment of financial assets is used, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:

- Stage 1 comprises all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The criteria for determining whether an account should be assessed under Stage 1 is based on day past due which is current or past due up to 29 days. The Company recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 comprises all financial instruments which have experienced a SICR as of reporting date compared to initial recognition. A SICR is generally deemed present in accounts with the day past due is more than 29 days up to 89 days. The Company recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 comprises all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Company's criteria for Stage 3 accounts are generally aligned with the definition of "default" which is explained in the next paragraph. The Company recognizes a lifetime ECL for Stage 3 financial instruments.

*Definition of "default"*

The Company classifies loans, investments, receivables, or any financial asset as in default when it is credit impaired. Financial assets are "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. A loan in a condition that borrower has no capacity to pay back is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue more than 89 days is considered credit-impaired.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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**2. ACCOUNTING POLICIES** (continued)

**2.2 Summary of significant accounting policies** (continued)

**2.2.1 Financial assets and financial liabilities** (continued)

*(vi) Impairment of financial assets* (continued)

*Credit risk at initial recognition*

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available including both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

*ECL parameters and methodologies*

ECL is a function of the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

PD is defined as an estimate of the likelihood that a customer will be unable to meet its debt obligation or default over a particular time horizon, usually in the course of 1 year. The estimation of ECL requires a 12-month PD for stage 1 exposures as well as lifetime ECL for exposures in stage 2 and stage 3. Hence, a lifetime PD table is required to be computed based on the Company's past historical data. PD estimation also requires the application of forward-looking adjustments to reflect the future macroeconomic scenarios. A term structure will be constructed using a statistical approach depending on data availability for the lifetime PD estimation.

LGD is the estimate of full economic loss in the event of default. The total cash recoveries were considered in the calculation of LGD.

EAD is defined as an estimation of the extent to which the Company may expose to a counterparty in the event of, and at the time of, the counterparty's default. Hence, the purpose of the EAD model is to estimate the exposure for the Company or the outstanding balance for the accounts that may default in any given reporting period.

*Forward-looking information*

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Macroeconomic variables "MEVs" have to be incorporated for the model of forward-looking and probability-weighting. Analysis between the historical default experience and the macroeconomic conditions is required to perform in order to identify the relationship. From there on, using the related macroeconomic variables, the Company can assign an appropriate amount of ECL according to the changes in the relevant economic condition.

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**2. ACCOUNTING POLICIES** (continued)

**2.2 Summary of significant accounting policies** (continued)

**2.2.1 Financial assets and financial liabilities** (continued)

*(vi) Impairment of financial assets* (continued)

*Forward-looking information* (continued)

The key forward-looking macroeconomic variables used in each of the economic scenarios for the ECL calculations are gross domestic product, unemployment rate, consumer price index and average interest loan for twelve months.

**2.2.2 Cash and cash equivalents**

For statement of cash flow purposes, cash and cash equivalents consist of cash and bank balances, demand deposits, and short-term highly liquid investments with original maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

**2.2.3 Balances with the National Bank of Cambodia**

Capital guarantee deposit and reserve balances are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions determined at defined percentages of minimum share capital and total deposits from customers, respectively. This account also includes current account carried at cost and interest-bearing term deposit.

**2.2.4 Balances with other banks**

Balances with other banks are carried at cost less ECL.

**2.2.5 Loans to customers**

Loans to customers are measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Loans are written off when there is no realistic prospect of recovery. Recoveries of loans to customers previously written off, or provided for, decrease the amount of the provision for expected credit losses in the statement of comprehensive income.

Recoveries on loans previously written off and reversal of previous allowances are disclosed as other income in the statement of comprehensive income.

**2.2.6 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of a property and equipment item comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Where an item of property and equipment comprises major components having different estimated useful lives, the components are accounted for as separate items of property and equipment.

Subsequent expenditure relating to an item of property and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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**2. ACCOUNTING POLICIES** (continued)

**2.2 Summary of significant accounting policies** (continued)

**2.2.6 Property and equipment** (continued)

Gain or loss arising from the retirement or disposal of an item of property and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and is recognized in statement of comprehensive income on the date of retirement or disposal.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Office furniture	5 years
Vehicles	5 years
Motorcycles	4 years
Computer and peripherals	4 years
Leasehold improvements	
Office	Lease period from 1 to 10 years
ATM	Lease period from 1 to 5 years
Communication equipment	4 years

Work in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Fully depreciated assets are retained in the financial statements until they are no longer in use or no further charge for depreciation is made in respect of these assets.

If there is any indication that there has been a significant change in depreciation or amortisation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

**2.2.7 Intangible assets**

Intangible assets comprising mainly software are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Software is amortised on a straight-line basis at the rate of 10% per annum.

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of software, the amortisation is revised prospectively to reflect the new expectations. Work in progress is not amortised until such time as the relevant assets are completed and put into operational use.

**2.2.8 Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

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**2. ACCOUNTING POLICIES** (continued)

**2.2 Summary of significant accounting policies** (continued)

**2.2.8 Leases** (continued)

- The Company has the right to direct the use of the asset. The company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where all the decisions about how and for what purpose the asset is used are predetermined, the company has the right to direct the use of the asset if either:
- The Company has the right to operate the asset; or
- The Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease and non-lease component, the Company allocates the consideration in the contract to each lease component and aggregate of non-lease components on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

*Leases in which the Company is a lessee*

An arrangement conveyed the right to use the asset if one of the following was met:

- The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

*Right-of-use asset*

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of a right-of-use asset is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The estimated useful lives of right-of-use assets comprising building and office branches range from 1 to 10 years.

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**2. ACCOUNTING POLICIES** (continued)

**2.2 Summary of significant accounting policies** (continued)

**2.2.8 Leases** (continued)

*Lease liability*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, to the lessee's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the lease term, a change in the assessment of the option to purchase the underlying asset, a change in future lease payments arising from a change in an index or rate, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

*Short-term leases and leases of low-value assets*

The Company applies short-term lease that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below USD 5,000). Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

**2.2.9 Other assets**

Other assets are carried at estimated realizable value.

**2.2.10 Deposits from banks and other financial institutions and deposits from customers**

Deposits from banks and other financial institutions and deposits from customers are stated at placement value.

**2.2.11 Borrowings**

Borrowings are measured at amortised cost; they are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

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**2. ACCOUNTING POLICIES** (continued)

**2.2 Summary of significant accounting policies** (continued)

**2.2.12 Subordinated debts**

Subordinated debts are long-term debts that are subordinated to all other liabilities of the Company. These are treated as part of the Company's liabilities and included in the Company's net worth computation under the NBC's guidelines. Foreign exchange differences on subordinated debts are taken through the statement of comprehensive income.

**2.2.13 Employee benefits**

In 2019, the Ministry of Labour and Vocational Training's ("MoLVT") Prakas No 443 dated 21 September 2019 mandated the payment of seniority indemnity for unspecified duration contracted employees with implementation guidelines issued on 22 March 2020. The said Prakas requires seniority payment equal to fifteen days per year payable as follows:

- Equal to 7.5 days in June; and
- Equal to 7.5 days in December.

For fixed duration contract, the Company provides employees with severance pay equivalent to 5% of the salary paid during the length of the contract.

**2.2.14 Regulatory reserve**

Regulatory reserve is set up to account for the difference in provision between ECLs determined in accordance with CIFRS 9 and the regulatory provision computed in accordance with NBC Prakas No B7-017-344 dated 1 December 2017 and Circular No B7-018-001 dated 16 February 2019 on credit risk classification and provision on impairment for banks and financial institutions.

The regulatory provision requires banks and financial institutions to classify their loan portfolio into five classes and provide general and specific allowance based on the loan classification as follows:

<i>Classification</i>	<i>Number of days past due</i>	<i>Allowance rate</i>
Standard	0 to 14 days (short-term)	
	0 to 29 days (long-term)	1%
Special mention	15 days to 30 days (short-term)	
	30 days to 89 days (long-term)	3%
Substandard	31 days to 60 days (short-term)	
	90 days to 179 days (long-term)	20%
Doubtful	61 days to 90 days (short-term)	
	180 days to 359 days (long-term)	50%
Loss	From 91 days (short-term)	
	360 days or more (long-term)	100%

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**2. ACCOUNTING POLICIES** (continued)

**2.2 Summary of significant accounting policies** (continued)

**2.2.14 Regulatory reserve** (continued)

The Company shall compare the provision calculated in accordance with CIFRS 9 and the regulatory provision, and:

- In case the regulatory provision is lower than provision calculated in accordance with CIFRS 9, the Company records the provision calculated in accordance with CIFRS 9; and
- In case the regulatory provision is higher than provision calculated in accordance with CIFRS 9, the Company records the provision calculated in accordance with CIFRS 9 and transfer the difference from retained earnings to the regulatory reserve in the shareholders' equity of the statement of the financial position.

**2.2.15 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

**2.2.16 Interest**

*Effective interest rate*

Interest income and expense are recognized in profit and loss using the effective interest rate method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

*Amortised cost and gross carrying amount*

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any ECL allowance.

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**2. ACCOUNTING POLICIES** (continued)

**2.2 Summary of significant accounting policies** (continued)

**2.2.16 Interest** (continued)

*Calculation of interest income and expense*

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

*Presentation*

Interest income and interest expense determined using the effective interest rate method are presented under the profit or loss in the statement of comprehensive income.

**2.2.17 Fee and commission**

Fee and commission income and expense that are integral to the effective interest rate of a financial asset or financial liability are included in the effective interest rate.

Other fees and commission income, including account service fees, are recognized as the related services are performed.

A contract with a customer that results in a recognized financial instrument in the Company's financial statements may be partially in the scope of both CIFRS 9 and CIFRS 15. If this is the case, then the Company first applies CIFRS 9 to separate and measure the part of the contract that is in scope of CIFRS 9 and then applies CIFRS 15 to the residual.

**2.2.18 Impairment of non-financial assets**

An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together with the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGUs on a pro-rata basis.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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**2. ACCOUNTING POLICIES** (continued)

**2.2 Summary of significant accounting policies** (continued)

**2.2.18 Impairment of non-financial assets** (continued)

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

**2.2.19 Expense recognition**

Expenses are recognized when it is probable that decrease in future economic benefits related to a decrease in asset or increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses that may arise in the course of ordinary regular activities of the Company include, among others, the operating expenses on the Company's operations. Expenses are recognized as incurred.

- (i) Fee and commission expense is charged to the statement of comprehensive income when the expense is incurred. Fees on borrowings are amortised on a straight-line basis over the term of the related borrowings.
- (ii) Operating expenses are recognized on an accrual basis.

**2.2.20 Grants**

Grants received from third parties to subsidise the Company's operating expenses are released to the statement of comprehensive income on a systematic and rational basis, matching the related costs which they are intended to compensate.

**2.2.21 Related parties**

Parties are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice-versa, or where the Company and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

**2.2.22 Income tax**

*Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the statement of financial position date.

*Deferred tax*

Deferred tax is provided using the statement of financial position liability method on temporary differences at the statement of financial position date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

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**2. ACCOUNTING POLICIES** (continued)

**2.2 Summary of significant accounting policies** (continued)

**2.2.22 Income tax** (continued)

*Deferred tax* (continued)

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these differences can be utilized, except where the deferred tax arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Unrecognized deferred income tax assets are re-assessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

**2.3 Significant accounting judgments and estimates**

The preparation of the financial statements in compliance with CIFRSs requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

**2.3.1 Judgements**

**2.3.1.1 Classification of financial assets**

The Company classifies its financial assets depending on the results of the 'solely payments of principal and interest' ("SPPI") tests and on the business model used for managing those financial assets.

The SPPI test is the first of two tests that determine the classification of a financial asset. When performing the SPPI test, the Company assesses whether the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortised cost criteria.

The business model assessment ("BMA") is the second test. The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

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**2. ACCOUNTING POLICIES** (continued)

**2.3 Significant accounting judgments and estimates** (continued)

**2.3.1 Judgements** (continued)

**2.3.1.1 Classification of financial assets** (continued)

The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the company's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected).

**2.3.1.2 Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recognized or disclosed in the statements of financial position cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

**2.3.1.3 Leases**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

*Extension and termination options*

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

*Estimating the incremental borrowing rate ("IBR") for lease liabilities*

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Company estimates the IBR for lease liabilities using the rate of its borrowings with similar term.

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**2. ACCOUNTING POLICIES** (continued)

**2.3 Significant accounting judgments and estimates** (continued)

**2.3.1 Judgements** (continued)

**2.3.1.4 Functional currency**

IAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Company considers the following:

- (i) The currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- (ii) The currency in which funds from financing activities are generated; and
- (iii) The currency in which receipts from operating activities are usually retained.

**2.3.2 Estimates**

**2.3.2.1 Expected credit losses on financial assets**

The measurement of impairment losses under CIFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used;
- Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- Development of ECL models, including the various formulas and the choice of inputs. In 2020, the Company recalibrated its probability of defaults ("PDs") and loss given defaults ("LGDs") models
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels, and the effect on PDs, LGDs and exposure at defaults ("EADs"); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

**2.3.2.2 Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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**2. ACCOUNTING POLICIES** (continued)

**2.3 Significant accounting judgments and estimates** (continued)

**2.3.2 Estimates** (continued)

**2.3.2.3 Estimated useful lives of property and equipment and intangible assets**

The useful life of each item of property and equipment and intangible assets is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment and intangible assets would increase the recorded operating expenses and decrease the carrying value of these nonfinancial assets. There is no change in the estimated useful lives of property and equipment and intangible assets during the year.

**2.3.2.4 Recognition of deferred tax assets**

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Company recognized deferred tax assets as at 31 December 2020 amounting to USD 10.90 million equivalent to KHR44.11 billion (2019: USD 9.20 million equivalent to KHR37.48 billion) as disclosed in Note 17.3.

**2.4 New and amended accounting standards issued and effective**

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting 1 January 2020. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

*Amendments to CIFRS 3, Definition of a Business*

The amendments to CIFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

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**2. ACCOUNTING POLICIES** (continued)

**2.4 New and amended accounting standards issued and effective** (continued)

*Amendments to CIFRS 7, CIFRS 9 and CIAS 39 Interest Rate Benchmark Reform*

The amendments to CIFRS 9 and CIAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The Company does not have any interest rate hedge relationships.

*Amendments to CIAS 1 and CIAS 8 Definition of Material*

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

*Conceptual Framework for Financial Reporting issued on 29 March 2018*

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

*Amendments to CIFRS 16 Covid-19 Related Rent Concessions*

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying CIFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The impact on these amendments is already included in the determination of lease liability on the financial statements of the Company.

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**2. ACCOUNTING POLICIES** (continued)

**2.5 Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements of the Bank are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

*CIFRS 17: Insurance contracts*

In May 2017, the IASB issued CCIFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, CIFRS 17 will replace CIFRS 4 Insurance Contracts, which was issued in 2005. CIFRS C17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. Certain scope exceptions will apply. The overall objective of CIFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in CIFRS 4, which are largely based on grandfathering previous local accounting policies, CIFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of CIFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

CIFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies CIFRS 9 and CIFRS 15 on or before the date it first applies CIFRS 17. This standard is not applicable to the Company.

*Amendments to CIAS 1 and CIAS 8: Definition of Material*

In October 2018, the IASB issued amendments to CIAS 1 Presentation of Financial Statements and CIAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the financial statements of the Company.

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3. CASH ON HAND

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Branches	116,999,478	473,262,889	125,180,790	510,111,720
Head office	43,578,608	176,275,469	25,521,565	104,000,377
	<b>160,578,086</b>	<b>649,538,358</b>	<b>150,702,355</b>	<b>614,112,097</b>

Cash on hand by currency comprises the following:

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
USD	130,637,165	528,427,332	121,461,159	494,954,224
KHR	26,845,731	108,590,982	26,850,925	109,417,519
THB	3,095,190	12,520,044	2,390,271	9,740,354
	<b>160,578,086</b>	<b>649,538,358</b>	<b>150,702,355</b>	<b>614,112,097</b>

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

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Cash on hand	160,578,086	649,538,358	150,702,355	614,112,097
<i>Balances with the NBC</i>				
Current accounts	87,265,227	352,987,843	148,644,233	605,725,249
Term deposits (up to three months)	165,207,294	668,263,504	129,872,546	529,230,625
<i>Balances with other banks</i>				
Current accounts	3,959,939	16,017,953	1,060,912	4,323,216
Savings accounts	55,241	223,450	42,360	172,617
	<b>417,065,787</b>	<b>1,687,031,108</b>	<b>430,322,406</b>	<b>1,753,563,804</b>

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**4 BALANCES WITH THE NBC**

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Current accounts	87,265,227	352,987,843	148,644,233	605,725,249
Term deposits (up to three months)	165,207,294	668,263,504	129,872,546	529,230,625
Term deposits (more than three months)	148,888	602,252	148,160	603,752
Reserve requirement	162,733,990	658,258,990	138,158,266	562,994,934
Capital guarantee	23,000,000	93,035,000	23,000,000	93,725,000
	<b>438,355,399</b>	<b>1,773,147,589</b>	<b>439,823,205</b>	<b>1,792,279,560</b>

Current accounts earn no interest.

Term deposits maturing up to three months earn annual interest at rates ranging from 0.02% to 1.60% (2019: from 0.11% to 0.76%) and for more than three months from 0.23% to 1.93% (2019: from 0.30% to 2.75%).

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.

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 0.09% during the year (2019: 3.00%).

Interest income earned from 'Balances with the NBC' amounted to USD 0.15 million (2019: USD 0.54 million) (Note 21).

**5 BALANCES WITH OTHER BANKS**

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Current accounts	3,959,939	16,017,953	1,060,912	4,323,216
Savings accounts	55,241	223,450	42,360	172,617
Gross balances with other banks	4,015,180	16,241,403	1,103,272	4,495,833
Allowance for ECLs	(40,151)	(162,411)	(11,033)	(44,959)
<b>NET</b>	<b>3,975,029</b>	<b>16,078,992</b>	<b>1,092,239</b>	<b>4,450,874</b>

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**5 BALANCES WITH OTHER BANKS** (continued)

Current accounts earn interest from 0.00% to 1.00%. Savings accounts earn annual interest at rates ranging from 0.00% to 1.00% (2019: 0.10% to 0.40%).

Interest income earned from 'Balances with other banks' amounted to USD 0.06 million (2019: USD 0.13 million) (Note 21).

Balances with other banks by currency are as follows:

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
USD	1,742,434	7,048,146	831,690	3,389,136
KHR	2,272,746	9,193,257	271,582	1,106,697
	<b>4,015,180</b>	<b>16,241,403</b>	<b>1,103,272</b>	<b>4,495,833</b>

**6 LOANS TO CUSTOMERS**

Loans to customers are categorized as follows:

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Individual loans	2,973,563,176	12,028,063,047	2,453,547,695	9,998,206,859
Small and medium enterprises	48,733,619	197,127,489	38,335,700	156,217,977
Staff loans	8,148,355	32,960,096	8,768,388	35,731,180
Group loans	375,579	1,519,217	644,485	2,626,275
	<b>3,030,820,729</b>	<b>12,259,669,849</b>	<b>2,501,296,268</b>	<b>10,192,782,291</b>
Unamortised loan processing fees	(28,858,791)	(116,733,810)	(27,167,497)	(110,707,550)
	<b>3,001,961,938</b>	<b>12,142,936,039</b>	<b>2,474,128,771</b>	<b>10,082,074,741</b>
Accrued interest receivable	26,231,489	106,106,373	20,329,732	82,843,658
	<b>3,028,193,427</b>	<b>12,249,042,412</b>	<b>2,494,458,503</b>	<b>10,164,918,399</b>
Allowance for ECLs	(49,613,493)	(200,686,579)	(26,232,892)	(106,899,034)
<b>Net</b>	<b>2,978,579,934</b>	<b>12,048,355,833</b>	<b>2,468,225,611</b>	<b>10,058,019,365</b>

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6. LOANS TO CUSTOMERS (continued)

Movements of allowance for ECLs are as follows:

	2020			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balance as at 1 January	18,696,858	481,191	7,054,843	26,232,892
Newly-originated assets	19,175,808	-	-	19,175,808
Effect of collections and transfers between stages	6,568,823	(39,549)	(2,324,481)	4,204,793
Transfers to Stage 1	2,886	(1,133)	(1,753)	-
Transfers to Stage 2	(12,935,126)	12,951,171	(16,045)	-
Transfers to Stage 3	(20,247,144)	(437,429)	20,684,573	-
<b>Amount recognized in profit or loss during the year</b>	<b>(7,434,753)</b>	<b>12,473,060</b>	<b>18,342,294</b>	<b>23,380,601</b>
<b>Balance as at 31 December</b>	<b>11,262,105</b>	<b>12,954,251</b>	<b>25,397,137</b>	<b>49,613,493</b>
	2019			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balance as at 1 January	14,645,437	631,884	11,385,988	26,663,309
Newly-originated assets	11,455,647	-	-	11,455,647
Effect of collections and transfers between stages	(1,165,277)	105,655	(1,036,035)	(2,095,657)
Transfers to Stage 1	16,949	(13,133)	(3,816)	-
Transfers to Stage 2	(457,690)	469,687	(11,997)	-
Transfers to Stage 3	(5,798,208)	(712,902)	6,511,110	-
<b>Amount recognized in profit or loss during the year</b>	<b>4,051,421</b>	<b>(150,693)</b>	<b>5,459,262</b>	<b>9,359,990</b>
Loans written-off and others	-	-	(9,790,407)	(9,790,407)
<b>Balance as at 31 December</b>	<b>18,696,858</b>	<b>481,191</b>	<b>7,054,843</b>	<b>26,232,892</b>

The Company recognized provision (reversal of provision) for expected credit losses as follows:

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Balances with other banks	29,118	118,835	(62,428)	(252,958)
Loans to customers	23,380,601	95,495,380	9,359,990	37,926,679
Refundable deposits	1,459	5,962	636	2,577
	<b>23,411,178</b>	<b>95,620,177</b>	<b>9,298,198</b>	<b>37,676,298</b>

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6. LOANS TO CUSTOMERS (continued)

With the recent and rapid development of the coronavirus (“COVID-19”) outbreak, several countries have limited or suspended business operations and implemented travel restrictions and other emergency measures which have significantly disrupted (or are expected to disrupt) the activities of various institutions. The outbreak occurred at a time close to the reporting date and the condition has continued to evolve. During the outbreak, Cambodia is among those affected. In March and November 2020, the NBC requested banks and financial institutions to delay or suspend all loan and interest collections to soften the economic blow to business and household borrowers. Management will continuously pay close attention to the development of the COVID-19 outbreak in Cambodia, its impact to the Company’s borrowers, as well as their ability to service the loans.

Further analyses of loans to customers are set out below.

(a) Staging of the loan portfolio, including net interest receivable

	31 December 2020		31 December 2019	
	USD	KHR’000 equivalent (Note 2.1.1)	USD	KHR’000 equivalent (Note 2.1.1)
Stage 1	2,932,153,174	11,860,559,588	2,484,676,347	10,125,056,114
Stage 2	51,892,841	209,906,542	1,394,203	5,681,377
Stage 3	44,147,412	178,576,282	8,387,953	34,180,908
	<b>3,028,193,427</b>	<b>12,249,042,412</b>	<b>2,494,458,503</b>	<b>10,164,918,399</b>

(b) By security

	31 December 2020		31 December 2019	
	USD	KHR’000 equivalent (Note 2.1.1)	USD	KHR’000 equivalent (Note 2.1.1)
Secured				
Real estate	178,699,933	722,841,229	167,125,162	681,035,035
Chattel	124,214,580	502,447,976	90,812,685	370,061,691
Deposit hold-out	637,871	2,580,188	719,708	2,932,810
Others	962,522,312	3,893,402,752	728,089,217	2,966,963,559
Unsecured				
Real estate	242,894,844	982,509,644	240,791,888	981,226,944
Chattel	157,008,498	635,099,374	133,443,891	543,783,856
Others	1,362,215,389	5,510,161,249	1,133,475,952	4,618,914,504
<b>Total</b>	<b>3,028,193,427</b>	<b>12,249,042,412</b>	<b>2,494,458,503</b>	<b>10,164,918,399</b>

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6. LOANS TO CUSTOMERS (continued)

(c) By maturity

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Within one month	91,934,370	371,874,527	82,075,603	334,458,081
More than 1 month to 3 months	128,446,764	519,567,160	122,796,948	500,397,563
More than 3 months to 12 months	541,923,856	2,192,081,998	498,491,384	2,031,352,390
More than 1 year to 5 years	1,935,325,429	7,828,391,360	1,648,272,399	6,716,710,026
More than 5 years	330,563,008	1,337,127,367	142,822,169	582,000,339
	<b>3,028,193,427</b>	<b>12,249,042,412</b>	<b>2,494,458,503</b>	<b>10,164,918,399</b>

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

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
<i>Residency</i>				
Residents	<b>3,028,193,427</b>	<b>12,249,042,412</b>	<b>2,494,458,503</b>	<b>10,164,918,399</b>
<i>Relationship</i>				
External customers	3,020,051,028	12,216,106,408	2,485,691,351	10,129,192,255
Staff loans	8,142,399	32,936,004	8,767,152	35,726,144
	<b>3,028,193,427</b>	<b>12,249,042,412</b>	<b>2,494,458,503</b>	<b>10,164,918,399</b>
<i>Currency</i>				
USD	2,638,558,932	10,672,970,880	2,139,255,629	8,717,466,685
KHR	365,326,565	1,477,745,955	305,131,677	1,243,411,587
THB	24,307,930	98,325,577	50,071,197	204,040,127
	<b>3,028,193,427</b>	<b>12,249,042,412</b>	<b>2,494,458,503</b>	<b>10,164,918,399</b>
<i>Industry sector</i>				
Trade and commerce	745,402,429	3,015,152,826	529,088,592	2,156,036,012
Service	513,552,045	2,077,318,022	393,814,829	1,604,795,428
Real-estate	421,594,777	1,705,350,873	407,917,050	1,662,261,979
Agriculture	408,192,523	1,651,138,756	437,528,199	1,782,927,411
Home improvement	346,941,003	1,403,376,357	258,272,787	1,052,461,607
Automotive	281,223,077	1,137,547,346	224,256,576	913,845,547
Transportation	221,905,561	897,607,994	178,264,117	726,426,277
Manufacture	34,613,559	140,011,846	21,483,935	87,547,035
Construction	29,420,267	119,004,980	19,512,099	79,511,803
Personal	25,348,186	102,533,412	24,320,319	99,105,300
	<b>3,028,193,427</b>	<b>12,249,042,412</b>	<b>2,494,458,503</b>	<b>10,164,918,399</b>

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6. LOANS TO CUSTOMERS (continued)

(e) By location

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Branches	3,022,565,520	12,226,277,528	2,487,465,217	10,136,420,759
Head office	5,627,907	22,764,884	6,993,286	28,497,640
	<b>3,028,193,427</b>	<b>12,249,042,412</b>	<b>2,494,458,503</b>	<b>10,164,918,399</b>

(f) Annual interest rates

	2020	2019
Group loans	16.20% - 18.00%	16.20% - 18.00%
Individual loans	10.00% - 32.40%(before April 2017) 7.00% - 18.00% (after April 2017)	10% - 36.00% (before April 2017) 10% - 18.00% (after April 2017)
Biogas loans	0%	0%
Staff loans	8.00% - 10.00%	8.40% - 12.00%

Effective 1 April 2017, the annual interest rate of all new loans and restructured loans is capped at 18% as required by Prakas B7-017-109 on interest rate ceiling on loans. Loans to customers outstanding with interest rate more than 18% were for those loans disbursed prior to the issuance of this Prakas and which remain outstanding as at statement of financial position date.

7. OTHER ASSETS

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Prepayments	767,359	3,103,967	8,250,706	33,621,626
Refundable deposits	513,266	2,076,161	429,170	1,748,868
Non-refundable deposits	42,604	172,333	23,847	97,177
Long-term investment	28,167	113,936	28,167	114,781
	<b>1,351,396</b>	<b>5,466,397</b>	<b>8,731,890</b>	<b>35,582,452</b>
Allowance for ECLs on refundable deposits	(10,300)	(41,664)	(8,841)	(36,027)
	<b>1,341,096</b>	<b>5,424,733</b>	<b>8,723,049</b>	<b>35,546,425</b>

Movements of allowance for ECLs on refundable deposits are as follows:

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
At beginning of year	8,841	36,027	8,205	32,968
Provision during the year	1,459	5,962	636	2,577
Translation difference	-	(325)	-	482
<b>At end of year</b>	<b>10,300</b>	<b>41,664</b>	<b>8,841</b>	<b>36,027</b>

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8. PROPERTY AND EQUIPMENT

	2020							
	Office furniture USD	Vehicles USD	Motorcycles USD	Computer and peripherals USD	Leasehold improvements USD	Communication equipment USD	Work in progress USD	Total USD
<b>Cost</b>								
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	518,303	137,490	6,150	1,877,030	128,322	-	295,714	2,963,009
Disposals/write-offs	(34,572)	(18,000)	-	(104,575)	(24,069)	(91,410)	-	(272,626)
Transfers	-	-	-	86,160	-	-	(86,160)	-
As at 31 December 2020	<b>5,355,637</b>	<b>3,037,394</b>	<b>360,678</b>	<b>9,030,420</b>	<b>2,401,455</b>	<b>326,356</b>	<b>295,714</b>	<b>20,807,654</b>
<b>Accumulated depreciation</b>								
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	458,101	293,147	3,092	1,151,216	189,564	47,347	-	2,142,467
Disposals/write-offs and others	(32,457)	(18,000)	-	(100,155)	(23,238)	(34,750)	-	(208,600)
As at 31 December 2020	<b>4,222,332</b>	<b>2,315,084</b>	<b>349,819</b>	<b>6,215,744</b>	<b>1,788,910</b>	<b>252,962</b>	<b>-</b>	<b>15,144,851</b>
<b>Net book value</b>								
As at 31 December 2020	<b>1,133,305</b>	<b>722,310</b>	<b>10,859</b>	<b>2,814,676</b>	<b>612,545</b>	<b>73,394</b>	<b>295,714</b>	<b>5,662,803</b>
<b>KHR'000 equivalent (Note 2.1.1)</b>	<b>4,584,219</b>	<b>2,921,744</b>	<b>43,925</b>	<b>11,385,364</b>	<b>2,477,745</b>	<b>296,879</b>	<b>1,196,163</b>	<b>22,906,039</b>

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8. PROPERTY AND EQUIPMENT (continued)

	2019							
	Office furniture USD	Vehicles USD	Motorcycles USD	Computer and peripherals USD	Leasehold improvements USD	Communication equipment USD	Work in progress USD	Total USD
<b>Cost</b>								
As at 1 January 2019	4,479,429	2,764,687	346,328	6,287,673	2,139,004	300,453	151,409	16,468,983
Additions	528,756	296,613	8,200	848,725	203,950	154,045	86,160	2,126,449
Disposals/write-offs	(136,279)	(143,396)	-	(86,013)	(75,741)	(36,732)	-	(478,161)
Transfers	-	-	-	121,420	29,989	-	(151,409)	-
As at 31 December 2019	<b>4,871,906</b>	<b>2,917,904</b>	<b>354,528</b>	<b>7,171,805</b>	<b>2,297,202</b>	<b>417,766</b>	<b>86,160</b>	<b>18,117,271</b>
<b>Accumulated depreciation</b>								
As at 1 January 2019	3,443,046	1,800,234	341,651	4,232,064	1,458,904	234,972	-	11,510,871
Depreciation	484,571	383,099	5,076	1,017,126	232,734	35,493	-	2,158,099
Disposals/write-offs and others	(130,929)	(143,396)	-	(84,507)	(69,054)	(30,100)	-	(457,986)
As at 31 December 2019	<b>3,796,688</b>	<b>2,039,937</b>	<b>346,727</b>	<b>5,164,683</b>	<b>1,622,584</b>	<b>240,365</b>	-	<b>13,210,984</b>
<b>Net book value</b>								
As at 31 December 2019	<b>1,075,218</b>	<b>877,967</b>	<b>7,801</b>	<b>2,007,122</b>	<b>674,618</b>	<b>177,401</b>	<b>86,160</b>	<b>4,906,287</b>
<b>KHR'000 equivalent (Note 2.1.1)</b>	<b>4,381,513</b>	<b>3,577,716</b>	<b>31,789</b>	<b>8,179,022</b>	<b>2,749,068</b>	<b>722,909</b>	<b>351,103</b>	<b>19,993,120</b>

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9. RIGHT-OF-USE ASSETS

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

	2020			
	Office space	ATM space	Total	
	USD	USD	USD	KHR'000 equivalent (Note 2.1.1)
<b>Cost</b>				
As at 1 January 2020	20,863,158	500,461	21,363,619	87,056,750
Additions	4,822,970	245,844	5,068,814	20,503,353
Expirations/terminations	(47,600)	(29,252)	(76,852)	(310,866)
Translation difference	-	-	-	(640,912)
As at 31 December 2020	<b>25,638,528</b>	<b>717,053</b>	<b>26,355,581</b>	<b>106,608,325</b>
<b>Accumulated depreciation</b>				
As at 1 January 2020	6,722,452	280,902	7,003,354	28,538,670
Depreciation	3,887,081	173,458	4,060,539	16,558,093
Expirations/terminations	(30,491)	-	(30,491)	(124,312)
Translation difference	-	-	-	(342,340)
As at 31 December 2020	<b>10,579,042</b>	<b>454,360</b>	<b>11,033,402</b>	<b>44,630,111</b>
<b>Net book value</b>	<b>15,059,486</b>	<b>262,693</b>	<b>15,322,179</b>	<b>61,978,214</b>
	2019			
	Office space	ATM space	Total	
	USD	USD	USD	KHR'000 equivalent (Note 2.1.1)
<b>Cost</b>				
As at 1 January 2019	16,065,963	333,305	16,399,268	65,892,260
Additions	4,832,053	188,734	5,020,787	20,459,707
Expirations/terminations	(34,858)	(21,578)	(56,436)	(229,977)
Translation difference	-	-	-	934,760
As at 31 December 2019	<b>20,863,158</b>	<b>500,461</b>	<b>21,363,619</b>	<b>87,056,750</b>
<b>Accumulated depreciation</b>				
As at 1 January 2019	3,242,531	143,932	3,386,463	13,606,810
Depreciation	3,499,784	143,376	3,643,160	14,762,084
Expirations/terminations	(19,863)	(6,406)	(26,269)	(106,442)
Translation difference	-	-	-	276,218
As at 31 December 2019	<b>6,722,452</b>	<b>280,902</b>	<b>7,003,354</b>	<b>28,538,670</b>
<b>Net book value</b>	<b>14,140,706</b>	<b>219,559</b>	<b>14,360,265</b>	<b>58,518,080</b>

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10. INTANGIBLE ASSETS

	2020			Total USD
	Computer software USD	Core banking system license USD		
<b>Cost</b>				
As at 1 January 2020	1,121,820	2,515,752		3,637,572
Additions	98,499	375,835		474,334
As at 31 December 2020	<b>1,220,319</b>	<b>2,891,587</b>		<b>4,111,906</b>
<b>Accumulated amortisation</b>				
As at 1 January 2020	720,398	1,417,288		2,137,686
Amortisation and others	97,417	269,635		367,052
As at 31 December 2020	<b>817,815</b>	<b>1,686,923</b>		<b>2,504,738</b>
<b>Net book value</b>				
As at 31 December 2020	<b>402,504</b>	<b>1,204,664</b>		<b>1,607,168</b>
<b>KHR'000 equivalent (Note 2.1.1)</b>	<b>1,628,130</b>	<b>4,872,865</b>		<b>6,500,995</b>
	2019			Total USD
	Computer software USD	Core banking system license USD	Work in progress USD	
<b>Cost</b>				
As at 1 January 2019	952,576	2,294,050	159,243	3,405,869
Additions	-	-	231,703	231,703
Transfers during the year	169,244	221,702	(390,946)	-
As at 31 December 2019	<b>1,121,820</b>	<b>2,515,752</b>	-	<b>3,637,572</b>
<b>Accumulated amortisation</b>				
As at 1 January 2019	632,988	1,180,128	-	1,813,116
Amortisation and others	87,410	237,160	-	324,570
As at 31 December 2019	<b>720,398</b>	<b>1,417,288</b>	-	<b>2,137,686</b>
<b>Net book value</b>				
As at 31 December 2019	<b>401,422</b>	<b>1,098,464</b>	-	<b>1,499,886</b>
<b>KHR'000 equivalent (Note 2.1.1)</b>	<b>1,635,794</b>	<b>4,476,241</b>	-	<b>6,112,035</b>

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**11. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS**

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Term deposits	35,410,000	143,233,450	54,036,810	220,200,001
Savings deposits	735,217	2,973,953	1,055,191	4,299,903
	<b>36,145,217</b>	<b>146,207,403</b>	<b>55,092,001</b>	<b>224,499,904</b>

Interest rates are as follows:

	2020	2019
Term deposits		
USD	2.00% - 5.50%	1.00% - 6.50%
KHR	2.00% - 5.50%	1.00% - 6.50%
Savings deposits		
USD	0.00%	0.00% - 0.20%
KHR	0.00%	0.00% - 0.20%

The Company incurred interest expense of USD 2.49 million (2019: USD 3.12 million) on deposits from banks and other financial institutions (Note 22).

**12. DEPOSITS FROM CUSTOMERS**

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Term deposits	1,906,651,229	7,712,404,221	1,630,980,291	6,646,244,685
Savings deposits	118,567,872	479,607,043	102,460,634	417,527,084
	<b>2,025,219,101</b>	<b>8,192,011,264</b>	<b>1,733,440,925</b>	<b>7,063,771,769</b>

Deposits from customers are further analysed as follows:

(a) By maturity

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Within 1 month	350,832,784	1,419,118,611	318,803,361	1,299,123,696
More than 1 month up to 3 months	365,363,223	1,477,894,237	285,833,627	1,164,772,030
More than 3 months up to 12 months	1,242,343,815	5,025,280,732	1,070,832,748	4,363,643,448
More than 12 months	66,679,279	269,717,684	57,971,189	236,232,595
	<b>2,025,219,101</b>	<b>8,192,011,264</b>	<b>1,733,440,925</b>	<b>7,063,771,769</b>

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12. DEPOSITS FROM CUSTOMERS (continued)

(b) By currency

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
USD	1,876,153,187	7,589,039,641	1,601,467,210	6,525,978,880
KHR	146,352,612	591,996,316	122,435,944	498,926,472
THB	2,713,302	10,975,307	9,537,771	38,866,417
	<b>2,025,219,101</b>	<b>8,192,011,264</b>	<b>1,733,440,925</b>	<b>7,063,771,769</b>

(c) By relationship

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Non-related parties	1,995,903,458	8,073,429,488	1,723,048,727	7,021,423,562
Related parties	29,315,643	118,581,776	10,392,198	42,348,207
	<b>2,025,219,101</b>	<b>8,192,011,264</b>	<b>1,733,440,925</b>	<b>7,063,771,769</b>

(d) Range of annual interest rates

	2020	2019
Term deposits		
USD	3.50% - 7.25%	4.00% - 8.00%
KHR	3.50% - 7.25%	4.00% - 8.00%
THB	0.10% (for existing customer only)	3.25% - 7.50%
Savings deposits		
USD	1.50%-2.5%	2.00% - 3.00%
KHR	1.50%-2.5%	2.00% - 3.00%
THB	0.10% (for existing customer only)	0.10% - 0.12%

The Company incurred USD 130.42 million (2019: USD 104.95 million) as interest expense on deposits from customers (Note 22).

13. BORROWINGS

All Company's borrowings are unsecured.

Borrowings are further analysed as follows:

(a) By relationship

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Non-related parties	703,429,059	2,845,370,545	704,296,717	2,870,009,122
Related parties	85,944,376	347,645,000	20,000,000	81,500,000
	<b>789,373,435</b>	<b>3,193,015,545</b>	<b>724,296,717</b>	<b>2,951,509,122</b>

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**13. BORROWINGS** (continued)

(b) *By currency*

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
USD	590,644,284	2,389,156,130	481,249,734	1,961,092,666
KHR	158,903,034	642,762,774	191,986,634	782,345,534
THB	39,826,117	161,096,641	51,060,349	208,070,922
	<b>789,373,435</b>	<b>3,193,015,545</b>	<b>724,296,717</b>	<b>2,951,509,122</b>

(c) *By maturity*

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
On demand up to 3 months	48,343,195	195,548,224	63,062,688	256,980,453
More than 3 months up to 12 months	244,000,458	986,981,853	184,547,047	752,029,217
More than 12 months	496,029,950	2,006,441,148	476,686,982	1,942,499,452
More than 5 years	999,832	4,044,320	-	-
	<b>789,373,435</b>	<b>3,193,015,545</b>	<b>724,296,717</b>	<b>2,951,509,122</b>

(d) *Range of annual interest rates by currency*

	2020	2019
USD	2.00% - 7.15%	6.00% - 8.39%
KHR	2.00% - 7.50%	6.50% - 8.50%
THB	8.37% - 8.84%	8.37% - 9.42%

**14. BONDS PAYABLE**

In April 2020, the Company issued KHR 127.20 billion (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. The bonds are listed on the Cambodia Securities Exchange and were priced at KHR 100,000 with a coupon rate of 7.50% payable on a semi-annual basis commencing on 23 October 2020. The Company incurred debt issue costs amounting to KHR 6.21 billion (USD 1.52 million).

As at 31 December 2020, the carrying value of the bonds payable is KHR 122.37 billion (USD 30.25 million). The Company incurred interest expense amounting to KHR 7.40 billion (USD 1.81 million) (Note 22).

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14. BONDS PAYABLE (continued)

The movements in unamortized discount follow:

	31 December 2020	
	USD	KHR'000 equivalent (Note 2.1.1)
Discount on issuance of bonds	1,521,412	6,207,360
Amortization	(340,020)	(1,375,381)
Translation difference	(256,595)	-
<b>Balance at end of period</b>	<b>924,797</b>	<b>4,831,979</b>

15. SUBORDINATED DEBTS

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Subordinated debts (a)	97,597,474	394,781,784	61,166,666	249,254,165
Trust fund (b)	14,853,496	60,082,390	14,744,145	60,082,390
	<b>112,450,970</b>	<b>454,864,174</b>	<b>75,910,811</b>	<b>309,336,555</b>

(a) Subordinated debts

These are subordinated debts from third party foreign lenders 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 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
The Royal Government of Cambodia ("the RGC")	11,280,672	45,630,317	11,197,624	45,630,317
Cambodia Rural Development Foundation ("CRDF")	3,572,824	14,452,073	3,546,521	14,452,073
	<b>14,853,496</b>	<b>60,082,390</b>	<b>14,744,145</b>	<b>60,082,390</b>

*The 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.

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**15. SUBORDINATED DEBTS** (continued)

(b) *Trust fund* (continued)

*The 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 3 December 2018, PRASAC Financial Trust and the Company agreed to an annual interest rate of 3.00% 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).

**16. LEASE LIABILITIES**

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
<b>Maturity analysis – contractual undiscounted cash flows</b>				
Less than one year	4,926,938	19,929,464	3,996,737	16,286,703
One to five years	13,233,200	53,528,294	18,105,959	73,781,783
More than five years	1,075,061	4,348,622	4,447,523	18,123,656
<b>Total undiscounted lease liabilities</b>	<b>19,235,199</b>	<b>77,806,380</b>	<b>26,550,219</b>	<b>108,192,142</b>
<b>Present value of lease liabilities</b>				
Current	3,640,367	14,725,285	3,629,105	14,788,603
Non-current	10,784,451	43,623,104	9,543,623	38,890,264
	<b>14,424,818</b>	<b>58,348,389</b>	<b>13,172,728</b>	<b>53,678,867</b>

Amounts recognized in statement of comprehensive income are as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
	USD	USD
Expenses relating to short-term leases	633,895	393,976
Interest on lease liabilities	1,134,113	1,027,954
Depreciation of right-of-use assets	4,060,539	3,643,160
<b>Total</b>	<b>5,828,547</b>	<b>5,065,090</b>
<b>KHR'000 equivalent (Note 2.1.1)</b>	<b>23,767,457</b>	<b>20,527,866</b>

**17. 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 financial statements could change at a later date upon final determination by the GDT.

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**17. INCOME TAX** (continued)

**17.1 Income tax expense**

**Applicable tax rates**

In accordance with Cambodian tax law, the Company has the obligation to pay tax on income ("Tol") 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.

As an incentive to the listing of debt securities in the Cambodia Securities Exchange, the Company is eligible to tax incentives in accordance with Sub-Decree 01 ANKr.BK dated 4 January 2019. One of the tax incentives provided under the Sub-Decree is a 50% reduction of the annual Tol liability for three years. The Tol incentive would commence at the beginning of the first tax year that the approval was given if the securities were issued before 30 June of that year. For the incentive to be granted, the Company submitted a request to GDT through Securities and Exchange Regulator of Cambodia ("SERC") on 4 February 2021. The Company's request was subsequently approved on 15 February and 11 March 2021 by SERC and GDT, respectively.

On 25 February 2020, the Ministry of Economy and Finance issued Prakas No. 183 which implements the Tol incentive. It clarifies that an entity issuing debt securities equal to or less than 20% of the total assets value of the enterprise will be granted the Tol incentive for 3 years following a declining proportion basis by taking 20.001% as a base and multiplying by 50%.

Since the Company issued debt securities less than 20% of its total assets, the Company applied tax incentive by reducing 2.17% of tax on income for the year ended 31 December 2020.

Income tax expense comprises:

	<i>For the year ended 31 December 2020</i>		<i>For the year ended 31 December 2019</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>
Current tax	28,775,681	117,311,919	26,938,988	109,156,779
Deferred tax	(1,638,462)	(6,716,649)	(996,968)	(4,039,714)
Tax incentive on bond listing	(624,432)	(2,537,692)	-	-
	<b>26,512,787</b>	<b>108,057,578</b>	<b>25,942,020</b>	<b>105,117,065</b>

The reconciliation of income tax expense is as follows:

	<i>For the year ended 31 December 2020</i>		<i>For the year ended 31 December 2019</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>
Profit before income tax	135,341,774	551,574,686	129,447,338	524,520,614
Income tax expense at applicable tax rate of 20%	27,068,355	110,314,938	25,889,468	104,904,124
Non-deductible expenses	68,864	280,332	52,552	212,941
Tax incentive on bond listing	(624,432)	(2,537,692)	-	-
<b>Effective income tax</b>	<b>26,512,787</b>	<b>108,057,578</b>	<b>25,942,020</b>	<b>105,117,065</b>

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**17. INCOME TAX** (continued)

**17.2 Income tax payable**

Movements of income tax payable follow:

	2020		2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Balance as at beginning of year	23,414,889	95,415,673	20,538,620	82,524,175
Current tax	28,775,681	117,311,919	26,938,988	109,156,779
Income tax paid	(27,489,443)	(112,074,459)	(24,062,719)	(97,502,137)
Tax incentive on issuance bond	(624,432)	(2,537,692)	-	-
Foreign exchange difference	-	(725,210)	-	1,236,856
<b>Balance as at end of year</b>	<b>24,076,695</b>	<b>97,390,231</b>	<b>23,414,889</b>	<b>95,415,673</b>

**17.3 Deferred tax assets**

Details of net deferred income tax asset recognized in the statement of financial position follow:

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
<i>Deferred tax assets on:</i>				
Unamortized loan fees	5,771,758	23,346,761	5,433,499	22,141,508
Allowance for ECLs	4,520,488	18,285,374	3,577,453	14,578,120
Unused annual leave	382,077	1,545,501	326,697	1,331,290
Unamortized borrowing fees	172,950	699,583	-	-
Provision for employee benefits	87,075	352,218	14,912	60,766
Right-of-use assets and lease liabilities	63,709	257,703	68,058	277,336
Foreign exchange gains	126,770	512,785	-	-
<i>Deferred tax liabilities on:</i>				
Property and equipment	(219,976)	(889,803)	(145,432)	(592,635)
Foreign exchange losses	-	-	(77,014)	(313,830)
<b>Net</b>	<b>10,904,851</b>	<b>44,110,122</b>	<b>9,198,173</b>	<b>37,482,555</b>

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**18. PROVISION FOR EMPLOYEE BENEFITS**

	2020		2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Balance as at beginning of year	74,562	303,840	1,266,404	5,088,411
Provision during the year	3,289,019	13,413,646	2,990,322	12,116,785
Payments during the year	(2,928,206)	(11,938,296)	(4,182,164)	(16,946,129)
Translation difference	-	(18,098)	-	44,773
<b>Balance as at end of year</b>	<b>435,375</b>	<b>1,761,092</b>	<b>74,562</b>	<b>303,840</b>

**19. OTHER LIABILITIES**

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Accrued interest payable	57,237,536	231,525,833	57,767,946	235,404,380
Accruals and other payables	2,090,041	8,454,216	1,790,518	7,296,361
Accounts payable	2,096,877	8,481,867	1,148,673	4,680,842
Tax on salary	1,326,675	5,366,400	1,413,982	5,761,977
Withholding tax payable	1,208,570	4,888,666	515,945	2,102,476
Accrued bonus	1,000,000	4,045,000	4,181	17,038
Others	151,437	612,562	478,055	1,948,074
	<b>65,111,136</b>	<b>263,374,544</b>	<b>63,119,300</b>	<b>257,211,148</b>

**20. EQUITY AND RESERVES**

**Share capital**

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

Details of shareholding are as follows:

	2020			2019		
	USD	KHR'000 equivalent (Note 2.1.1)	%	USD	KHR'000 equivalent (Note 2.1.1)	%
KB	161,000,000	644,000,000	70.00	-	-	-
LOLC	48,300,000	193,200,000	21.00	161,000,000	644,000,000	70.00
BEA	14,490,000	57,960,000	6.30	48,300,000	193,200,000	21.00
PSCo	6,210,000	24,840,000	2.70	20,700,000	82,800,000	9.00
	<b>230,000,000</b>	<b>920,000,000</b>	<b>100.00</b>	<b>230,000,000</b>	<b>920,000,000</b>	<b>100.00</b>

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**20. EQUITY AND RESERVES** (continued)

Abbreviation:

KB: Kookmin Bank

LOLC: LOLC International Private Limited

BEA: The Bank of East Asia, Limited

PSCo: PRASAC Staff Company Limited

In January 2019, the Company applied for the conversion of USD 58 million retained earnings into share capital. On 5 February and 11 February 2019, the Company obtained relevant approval from the NBC and the MOC, respectively. The Company recorded the capitalization of retained earnings in 2019.

On 23 September and 8 October 2019, the Company obtained approval from the NBC and MOC, respectively, for the conversion of additional USD 62 million retained earnings into share capital.

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 finalized and settlement has been made. In the process, the Company changed its corporate name to PRASAC Microfinance Institution Plc. effective 9 April 2020.

***Reserve fund***

Based on the loan agreement signed between the Company and Instituto De Crédito Oficial ("ICO") of the Kingdom of Spain, 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 loan. As at 31 December 2020, this non-distributable reserve amounted to USD 3.15 million (2019: USD 3.09 million).

***Regulatory reserve***

The movements in regulatory reserve (*Note 2.2.14*) are as follows:

	2020		2019	
	USD	KHR'000 equivalent (Note 2.1)	USD	KHR'000 equivalent (Note 2.1)
Balance as at beginning of year	4,108,924	16,649,360	299,009	1,209,491
Transfer (from) to regulatory reserve	(2,183,087)	(8,830,587)	3,809,915	15,437,776
Translation difference	-	(69,859)	-	2,093
<b>Balance as at end of year</b>	<b>1,925,837</b>	<b>7,748,914</b>	<b>4,108,924</b>	<b>16,649,360</b>

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**21. INTEREST INCOME**

	<i>For the year ended 31 December 2020</i>		<i>For the year ended 31 December 2019</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>
Individual loans	430,029,195	1,753,457,451	355,523,000	1,440,579,197
Balances with the NBC	145,306	592,518	539,594	2,186,435
Group loans	87,151	355,404	62,254	252,253
Balances with other banks	63,873	260,458	130,520	528,867
	<b>430,325,525</b>	<b>1,754,665,831</b>	<b>356,255,368</b>	<b>1,443,546,752</b>

**22. INTEREST EXPENSE**

	<i>For the year ended 31 December 2020</i>		<i>For the year ended 31 December 2019</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>
Deposits from customers	130,423,290	531,836,293	104,953,470	425,271,461
Borrowings	55,047,225	224,504,394	50,257,182	203,642,101
Subordinated debts	7,489,842	30,533,666	5,206,543	21,096,912
Deposits from banks and other financial institutions	2,490,150	10,156,527	3,116,976	12,629,987
Bonds payable	1,814,068	7,399,139	-	-
Lease liabilities	1,134,113	4,624,616	1,027,954	4,165,270
	<b>198,398,688</b>	<b>809,054,635</b>	<b>164,562,125</b>	<b>666,805,731</b>

**23. NET FEES AND COMMISSION INCOME**

	<i>For the year ended 31 December 2020</i>		<i>For the year ended 31 December 2019</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>
Instalment and loan fee income	6,004,101	24,482,897	17,325,073	70,201,196
Local remittance services income	873,457	3,561,787	921,029	3,732,010
<b>Fees and commission income</b>	<b>6,877,558</b>	<b>28,044,684</b>	<b>18,246,102</b>	<b>73,933,206</b>
Borrowing fees	-	-	3,340,715	13,536,579
Bank charges on borrowings	163,152	666,270	131,507	532,866
<b>Fees and expenses</b>	<b>163,152</b>	<b>666,270</b>	<b>3,472,222</b>	<b>14,069,445</b>
<b>Net fees and commission</b>	<b>6,714,406</b>	<b>27,378,414</b>	<b>14,773,880</b>	<b>59,863,761</b>

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**24. OTHER INCOME**

	<i>For the year ended 31 December 2020</i>		<i>For the year ended 31 December 2019</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>
Penalty from loans	4,585,539	18,698,787	7,094,130	28,745,415
Loan recovery	3,296,548	13,438,257	3,705,890	15,016,266
Others	1,123,462	4,583,399	894,013	3,622,539
	<b>9,005,549</b>	<b>36,720,443</b>	<b>11,694,033</b>	<b>47,384,220</b>

Others include service, penalty and dormant charges on deposits and extraordinary income.

**25. PERSONNEL EXPENSES**

	<i>For the year ended 31 December 2020</i>		<i>For the year ended 31 December 2019</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>
Salaries and wages	46,729,900	190,672,427	40,995,461	166,113,608
Bonuses and incentives	15,954,903	64,962,730	14,273,500	57,836,222
Employee benefits	3,289,019	13,413,646	2,990,322	12,116,785
Employee social welfare fund	1,126,383	4,592,880	1,007,492	4,082,358
Staff uniform	226,036	921,718	274,118	1,110,726
Medical expenses	16,197	66,002	24,844	100,668
Other employee benefits	508,418	2,082,930	529,027	2,143,617
	<b>67,850,856</b>	<b>276,712,333</b>	<b>60,094,764</b>	<b>243,503,984</b>

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**26. GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>For the year ended 31 December 2020</i>		<i>For the year ended 31 December 2019</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>
Fuel	3,816,692	15,563,659	3,292,169	13,339,869
Transportation	1,368,728	5,582,511	1,067,727	4,326,428
Printing and stationary	1,300,211	5,300,527	1,027,100	4,161,809
License fees	1,258,342	5,131,108	448,415	1,816,978
Utilities	1,236,215	5,041,651	1,134,629	4,597,517
Repairs and maintenance	1,193,431	4,867,757	1,070,703	4,338,489
Professional fees	817,258	3,331,565	531,610	2,154,084
Communications	812,810	3,314,431	742,728	3,009,534
Donation	701,476	2,852,547	151,458	613,708
Rental	633,895	2,584,747	393,976	1,596,392
Stamp and registration	602,297	2,456,324	47,992	194,464
Marketing and promotions	547,931	2,236,877	670,315	2,716,116
Office supplies	484,585	1,976,463	616,693	2,498,840
Other taxes	350,371	1,429,116	209,204	847,695
Bank charges	264,250	1,077,273	374,425	1,517,170
Traveling	197,275	804,134	419,680	1,700,543
Training	51,349	209,280	169,422	686,498
Other expenses	347,556	1,418,237	310,428	1,257,853
	<b>15,984,672</b>	<b>65,178,207</b>	<b>12,678,674</b>	<b>51,373,987</b>

Others include public relation, credit investigation, insurance, membership and other sundry expenses.

**27. DEPRECIATION AND AMORTISATION**

	<i>For the year ended 31 December 2020</i>		<i>For the year ended 31 December 2019</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>
Property and equipment	2,142,467	8,736,548	2,158,099	8,744,617
Intangible assets	367,052	1,496,890	324,570	1,315,158
Right-of-use assets	4,060,539	16,558,093	3,643,160	14,762,084
	<b>6,570,058</b>	<b>26,791,531</b>	<b>6,125,829</b>	<b>24,821,859</b>

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**28. SUPPLEMENTARY INFORMATION TO STATEMENT OF CASH FLOWS**

28.1 *Net cash (used in) provided by operating activities*

	<i>For the year ended 31 December 2020</i>		<i>For the year ended 31 December 2019</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.1.1)</i>
Profit before income tax	135,341,774	551,574,686	129,447,338	524,520,614
<i>Adjustments for:</i>				
Provisions for ECLs	23,411,178	95,620,177	9,298,198	37,676,298
Depreciation and amortisation	6,570,058	26,791,531	6,125,829	24,821,859
Employee benefits expense	3,289,019	13,413,646	2,990,322	12,116,785
Gain (loss) on disposal of property and equipment	53,149	216,688	(66,305)	(268,668)
Income tax paid	(27,489,443)	(112,074,459)	(24,062,719)	(97,502,137)
Employee benefits paid	(2,928,206)	(11,938,296)	(4,182,164)	(16,946,129)
<b>Cash generated from operations before changes in net operating assets and liabilities</b>	<b>138,247,529</b>	<b>563,603,973</b>	<b>119,550,499</b>	<b>484,418,622</b>
<i>Decrease (increase) in operating assets</i>				
Loans to customers	(533,734,924)	(2,085,831,848)	(548,521,339)	(2,222,608,465)
Balances with the NBC	(24,575,724)	(99,408,804)	(49,564,119)	(200,833,810)
Other assets	7,380,494	30,115,730	(1,755,538)	(7,113,440)
<i>Increase (decrease) in operating liabilities</i>				
Deposits from customers	291,778,176	1,128,239,495	496,147,958	2,010,391,526
Deposits from banks and other financial institutions	(18,946,784)	(78,292,501)	1,105,783	4,480,633
Other liabilities	(5,801,475)	(25,360,547)	18,685,253	75,712,645
<b>Net cash (used in) provided by operating activities</b>	<b>(145,652,708)</b>	<b>(566,934,502)</b>	<b>35,648,497</b>	<b>144,447,711</b>

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28. SUPPLEMENTARY INFORMATION TO STATEMENT OF CASH FLOWS (continued)

28.2 Changes in liabilities from financing activities

	<u>31 December 2019</u>	<u>Cash changes</u>		<u>Non-cash changes</u>		<u>31 December 2020</u>
	<i>USD</i>	<i>Proceeds USD</i>	<i>Repayment USD</i>	<i>Amortization of transaction costs USD</i>	<i>Foreign exchange movement USD</i>	<i>USD</i>
Borrowings	724,296,717	422,767,803	(353,817,494)	(5,862,896)	1,989,305	789,373,435
Subordinated debts	75,910,811	50,000,000	(12,000,000)	(735,859)	(723,982)	112,450,970
Bonds payable	-	31,176,471	-	(1,194,556)	269,759	30,251,674
Lease liabilities	13,172,728	4,543,091	(3,749,156)	-	458,155	14,424,818
	<b>813,380,256</b>	<b>508,487,365</b>	<b>(369,566,650)</b>	<b>(7,793,311)</b>	<b>1,993,237</b>	<b>946,500,897</b>

  

	<u>31 December 2019</u>	<u>Cash changes</u>		<u>Non-cash changes</u>		<u>31 December 2020</u>
	<i>KHR</i>	<i>Proceeds KHR</i>	<i>Repayment KHR</i>	<i>Amortization of transaction costs KHR</i>	<i>Foreign exchange movement KHR</i>	<i>KHR</i>
Borrowings	2,951,509,122	1,710,095,763	(1,431,191,763)	(23,715,414)	(13,682,163)	3,193,015,545
Subordinated debts	309,336,555	202,250,000	(48,540,000)	(2,976,550)	(5,205,831)	454,864,174
Bonds payable	-	127,200,000	-	(4,831,979)	-	122,368,021
Lease liabilities	53,678,867	18,522,182	(15,285,309)	-	1,432,649	58,348,389
	<b>3,314,524,544</b>	<b>2,058,067,945</b>	<b>(1,495,017,072)</b>	<b>(31,523,943)</b>	<b>(17,455,345)</b>	<b>3,828,596,129</b>

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28. SUPPLEMENTARY INFORMATION TO STATEMENT OF CASH FLOWS (continued)

28.2 Changes in liabilities from financing activities (continued)

	<u>31 December 2018</u>	<u>Cash changes</u>		<u>Non-cash change</u>	<u>31 December 2019</u>
	<i>USD</i>	<i>Proceeds</i> <i>USD</i>	<i>Repayment</i> <i>USD</i>	<i>Foreign exchange</i> <i>movement</i> <i>USD</i>	<i>USD</i>
Borrowings	621,386,452	309,065,842	(208,937,445)	2,781,868	724,296,717
Subordinated debts	69,453,307	20,000,000	(13,333,333)	(209,163)	75,910,811
Lease liabilities	11,708,001	4,766,050	(3,301,323)	-	13,172,728
	<b>702,547,760</b>	<b>333,831,892</b>	<b>(225,572,101)</b>	<b>2,572,705</b>	<b>813,380,256</b>
	<u>31 December 2018</u>	<u>Changes</u>		<u>Non-cash change</u>	<u>31 December 2019</u>
	<i>KHR</i>	<i>Proceeds</i> <i>KHR</i>	<i>Repayment</i> <i>KHR</i>	<i>Foreign exchange</i> <i>movement</i> <i>KHR</i>	<i>KHR</i>
Borrowings	2,496,730,764	1,252,334,792	(846,614,527)	49,058,093	2,951,509,122
Subordinated debts	279,063,388	81,040,000	(54,026,665)	3,259,832	309,336,555
Lease liabilities	47,042,748	19,421,654	(13,376,961)	591,426	53,678,867
	<b>2,822,836,900</b>	<b>1,352,796,446</b>	<b>(914,018,153)</b>	<b>52,909,351</b>	<b>3,314,524,544</b>

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**29. COMMITMENTS**

The Company leases vehicles under an operating lease arrangement, with minimum lease commitments due as follows:

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Within one year	485,770	1,964,940	424,760	1,730,897

In the normal course of business, the Company enters into commitments and incurs certain contingent liabilities with legal recourse.

**30. RELATED PARTY TRANSACTIONS AND BALANCES**

Significant transactions with related parties were as follows:

Related party	Transaction	For the year ended 31 December 2020		For the year ended 31 December 2019	
		USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Board of Directors	Fees and related expenses	335,784	1,369,252	326,256	1,321,989
	Interest expense	121,540	495,627	112,881	457,394
Shareholders	Interest expense	1,470,547	5,996,277	1,388,781	5,627,341
	Loan fees and commissions	391,280	1,594,384	68,823	278,871
Key management personnel	Salaries and employee benefits	4,740,451	19,322,711	4,979,391	20,176,492
	Interest expense	1,633,226	6,660,438	647,318	2,622,933
	Employee benefits expense	233,526	951,734	268,592	1,088,335

Outstanding balances with related parties were as follows:

Related party	Account	31 December 2020		31 December 2019	
		USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
Directors and key management personnel	Deposit	29,315,643	118,581,776	10,392,198	42,348,207
	Loan	805,477	3,258,154	731,171	2,979,522
BEA	Borrowing	5,977,078	24,177,281	20,000,000	81,500,000
KB	Borrowing	129,424,756	523,523,138	-	-
PSCo	Deposits	2,585,641	10,458,918	1,007,102	4,103,941

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**31. FINANCIAL RISK MANAGEMENT**

The Company's activities are exposed to a variety of financial risks: credit risk, market risk (including currency risk and interest rate risk), and liquidity risk. Taking risk is core to the financial business, and operational risks are an inevitable consequence of being in business.

The Company intends to comply with the NBC's regulations for financial risk management purposes. The Company however recognizes that international best practices on risk management are yet to be fully implemented. The Board of Directors has established an asset and liability management committee and risk management committee to formulate broad parameters of acceptable risk for the Company and monitor the activities against these parameters.

The Company holds the following financial assets and liabilities:

	31 December 2020		31 December 2019	
	USD	KHR'000 equivalent (Note 2.1.1)	USD	KHR'000 equivalent (Note 2.1.1)
<b>Financial assets</b>				
Cash on hand	160,578,086	649,538,358	150,702,355	614,112,097
Balances with the NBC	252,621,409	1,021,853,599	278,664,939	1,135,559,626
Balances with other banks	3,975,029	16,078,992	1,092,239	4,450,874
Loans to customers	2,978,579,934	12,048,355,833	2,468,225,611	10,058,019,365
Other assets	573,737	2,320,766	472,343	1,924,798
<b>Total financial assets</b>	<b>3,396,328,195</b>	<b>13,738,147,548</b>	<b>2,899,157,487</b>	<b>11,814,066,760</b>
<b>Financial liabilities</b>				
Deposits from banks and other financial institutions	36,145,217	146,207,403	55,092,001	224,499,904
Deposits from customers	2,025,219,101	8,192,011,264	1,733,440,925	7,063,771,769
Borrowings	789,373,435	3,193,015,545	724,296,717	2,951,509,122
Subordinated debts	112,450,970	454,864,174	75,910,811	309,336,555
Bonds payable	30,251,674	122,368,021	-	-
Other liabilities	62,575,891	253,119,479	61,189,373	249,346,695
<b>Total financial liabilities</b>	<b>3,056,016,288</b>	<b>12,361,585,886</b>	<b>2,649,929,827</b>	<b>10,798,464,045</b>

*Capital management*

The primary objectives of the Company's capital management are to ensure that it complies with externally imposed capital requirements and maintains strong financial position and healthy capital ratios to support its business and to maximize shareholders' value.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders or return on capital. No changes were made in the objectives, policies and processes from previous years.

Net worth and risk-weighted assets are computed based on the NBC regulations. Management believes the Company is compliant with the solvency ratio prescribed by the NBC and all externally imposed capital requirements.

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**31. FINANCIAL RISK MANAGEMENT** (continued)

**31.1 Credit risk**

The Company takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business. Credit exposure arises principally in lending activities that lead to loans to customers. The credit risk management is carried out by the credit committee.

(a) *Credit risk measurement*

The Company assesses the probability of default of individual counterparties in accordance with its credit policy, procedures and practices. The credit committee is responsible for determining the appropriateness and sufficiency of its credit policies.

(b) *Risk limit control and mitigation policy*

The Company operates and provides loans to individuals within the Kingdom of Cambodia. The Company manages limits and controls the concentration of credit risk whenever it is identified. Large exposure is defined by the NBC as overall credit exposure to any single beneficiary which exceeds 2% for individual loan and 3% for group loan of the Company's net worth under the conditions of NBC Prakas No. B7-07-163.

The Company also employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to customers, which is common practice. The Company also accepts personal guarantee for the group loans. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral type for loans to customers is mortgage over residential properties (land, building and other properties).

(c) *Maximum exposure to credit risk*

The table below shows the Company's maximum exposure to credit risk on its loans to customers after taking into account any collateral held and other credit enhancement:

	<i>31 December 2020</i>				
	<i>Carrying amount</i>	<i>Fair value of collateral or credit enhancements</i>	<i>Maximum exposure to credit risk</i>	<i>Financial effect of collateral or credit enhancements</i>	<i>Associated ECL</i>
Individual loans	2,973,563,175	7,768,135,911	-	2,973,563,175	48,002,690
Loans to small and medium enterprises	48,733,619	102,187,450	-	48,733,619	1,573,902
Staff loans	8,148,356	16,157,573	-	8,148,356	25,775
Group loans	375,579	798,745	-	375,579	11,126
<b>Total</b>	<b>3,030,820,729</b>	<b>7,887,279,679</b>	<b>-</b>	<b>3,030,820,729</b>	<b>49,613,493</b>
<b>KHR'000 equivalent</b> (Note 2.1.1)	<b>12,259,669,849</b>	<b>31,904,046,302</b>	<b>-</b>	<b>12,259,669,849</b>	<b>200,686,579</b>

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**31. FINANCIAL RISK MANAGEMENT** (continued)

**31.1 Credit risk** (continued)

(c) *Maximum exposure to credit risk* (continued)

	31 December 2019				
	<i>Carrying amount</i>	<i>Fair value of collateral or credit enhancements</i>	<i>Maximum exposure to credit risk</i>	<i>Financial effect of collateral or credit enhancements</i>	<i>Associated ECL</i>
Individual loans	2,446,797,855	5,393,268,831	-	2,446,797,855	25,660,167
Loans to small and medium enterprises	38,249,528	79,350,494	-	38,249,528	499,469
Staff loans	8,767,152	15,169,329	-	8,767,152	68,977
Group loans	643,968	362,671	281,297	362,671	4,279
<b>Total</b>	<b>2,494,458,503</b>	<b>5,488,151,325</b>	<b>281,297</b>	<b>2,494,177,206</b>	<b>26,232,892</b>
<b>KHR'000 equivalent</b> (Note 2.1.1)	<b>10,164,918,399</b>	<b>22,364,216,649</b>	<b>1,146,285</b>	<b>10,163,772,114</b>	<b>106,899,034</b>

The maximum exposure to credit risks for other financial assets is limited to the carrying value as at statement of financial position date.

The Company holds collateral against loans to customers in the form of real estate mortgages, guarantees, and other registered securities over assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines.

(d) *Concentration of risks of financial assets with credit risk exposure*

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The distribution of financial assets by industry sector of the Company, before taking into account collateral held or other credit enhancements (maximum exposure) follows:

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**31. FINANCIAL RISK MANAGEMENT** (continued)

**31.1 Credit risk** (continued)

(d) Concentration of risks of financial assets with credit risk exposure (continued)

	31 December 2020				
	Balances with the NBC USD	Balances with other banks USD	Loans to customers USD	Others USD	Total USD
Financial intermediaries					
Manufacturing	-	-	34,613,559	-	34,613,559
Real estate	-	-	421,594,777	-	421,594,777
Others - community, social and personal activities	438,355,399	4,015,180	2,571,985,091	584,037	3,014,939,707
Allowance for ECLs	-	(40,151)	(49,613,493)	(10,300)	(49,663,944)
<b>Net</b>	<b>438,355,399</b>	<b>3,975,029</b>	<b>2,978,579,934</b>	<b>573,737</b>	<b>3,421,484,099</b>
<b>KHR'000 equivalent (Note 2.1.1)</b>	<b>1,773,147,589</b>	<b>16,078,992</b>	<b>12,048,355,833</b>	<b>2,320,766</b>	<b>13,839,903,180</b>
	31 December 2019				
	Balances with the NBC USD	Balances with other banks USD	Loans to customers USD	Others USD	Total USD
Financial intermediaries					
Manufacturing	-	-	21,483,935	-	21,483,935
Real estate	-	-	407,917,050	-	407,917,050
Others - community, social and personal activities	439,823,205	1,103,272	2,065,057,518	481,184	2,506,465,179
Allowance for ECLs	-	(11,033)	(26,232,892)	(8,841)	(26,252,766)
<b>Net</b>	<b>439,823,205</b>	<b>1,092,239</b>	<b>2,468,225,611</b>	<b>472,343</b>	<b>2,909,613,398</b>
<b>KHR'000 equivalent (Note 2.1.1)</b>	<b>1,792,279,560</b>	<b>4,450,874</b>	<b>10,058,019,367</b>	<b>1,924,798</b>	<b>11,856,674,597</b>

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**31. FINANCIAL RISK MANAGEMENT** (continued)

**31.1 Credit risk** (continued)

(e) *Credit quality per class of financial assets*

The table below shows the credit quality per class of financial assets based on Company's rating system:

	31 December 2020			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balances with other banks	4,015,180	-	-	4,015,180
Balances with the NBC	438,355,399	-	-	438,355,399
Loans to customers	2,932,153,174	51,892,841	44,147,412	3,028,193,427
Other assets	584,037	-	-	584,037
	3,375,107,790	51,892,841	44,147,412	3,471,148,043
Allowance for ECLs	(11,312,582)	(12,954,251)	(25,397,111)	(49,663,944)
<b>Net</b>	<b>3,363,795,208</b>	<b>38,938,590</b>	<b>18,750,301</b>	<b>3,421,484,099</b>
<b>KHR'000 equivalent</b> (Note 2.1.1)	<b>13,606,551,614</b>	<b>157,506,597</b>	<b>75,844,968</b>	<b>13,839,903,179</b>
	31 December 2019			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balances with other banks	1,103,272	-	-	1,103,272
Balances with the NBC	439,823,205	-	-	439,823,205
Loans to customers	2,484,676,347	1,394,203	8,387,953	2,494,458,503
Other assets	481,184	-	-	481,184
	2,926,084,008	1,394,203	8,387,953	2,935,866,164
Allowance for ECLs	(18,716,735)	(481,191)	(7,054,840)	(26,252,766)
<b>Net</b>	<b>2,907,367,273</b>	<b>913,012</b>	<b>1,333,113</b>	<b>2,909,613,398</b>
<b>KHR'000 equivalent</b> (Note 2.1.1)	<b>11,847,521,638</b>	<b>3,720,525</b>	<b>5,432,434</b>	<b>11,856,674,596</b>

The Company applies a three-stage approach based on the change in credit quality since initial recognition:

Allowance for ECLs will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

(i) Stage 1: 12-month ECL – not credit-impaired

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognized.

(ii) Stage 2: Lifetime ECL – not credit-impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, a lifetime ECL will be recognized.

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**31. FINANCIAL RISK MANAGEMENT** (continued)

**31.1 Credit risk** (continued)

(e) *Credit quality per class of financial assets* (continued)

(iii) Stage 3: Lifetime ECL – credit-impaired

Financial assets are assessed as credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit-impaired, a lifetime ECL will be recognized.

<i>Stage</i>	<i>Credit risk status</i>	<i>Default indicator</i>
1	12-month ECL – not credit-impaired	0 to 29 days past due (“DPD”)
2	Lifetime ECL – not credit-impaired	30 to 89 DPD
3	Lifetime ECL – credit-impaired	More than 89 DPD

(iv) Incorporation of forward-looking information

The Company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates, supranational organizations.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments in accordance with each country and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

(f) *Repossessed collateral*

During the year, the Company did not repossess any collateral held as security.

**31.2 Operational risk**

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors are managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

The operational risk management entails the establishment of clear organizational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its business.

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**31. FINANCIAL RISK MANAGEMENT** (continued)

**31.3 Market risk**

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

*(i) Foreign exchange risk*

The Company operates in the Kingdom of Cambodia and transacts in USD, KHR and THB.

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency.

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**31. FINANCIAL RISK MANAGEMENT** (continued)

**31.3 Market risk** (continued)

(i) *Foreign exchange risk* (continued)

The balances in monetary assets and liabilities denominated in their respective currencies, expressed in USD, are as follows:

	31 December 2020			31 December 2019		
	USD	KHR	THB	USD	KHR	THB
<b>Financial assets</b>						
Cash on hand	130,637,165	26,845,731	3,095,190	121,461,159	26,850,925	2,390,271
Balances with the NBC	222,166,775	30,454,634	-	204,603,284	74,061,655	-
Balances with other banks	1,725,009	2,250,020	-	823,373	268,866	-
Loans to customers	2,593,252,480	362,005,027	23,322,427	2,115,923,200	302,858,035	49,444,376
Other assets	570,930	2,807	-	468,853	3,490	-
<b>Total financial assets</b>	<b>2,948,352,359</b>	<b>421,558,219</b>	<b>26,417,617</b>	<b>2,443,279,869</b>	<b>404,042,971</b>	<b>51,834,647</b>
<b>Financial liabilities</b>						
Deposits from banks and other financial institutions	35,904,162	240,906	149	52,671,859	2,419,980	162
Deposits from customers	1,876,153,186	146,352,612	2,713,303	1,601,467,210	122,435,944	9,537,771
Borrowings	590,644,285	158,903,034	39,826,116	481,249,734	191,986,634	51,060,349
Bonds payable	-	30,251,674	-	-	-	-
Subordinated debts	97,597,474	14,853,496	-	61,166,666	14,744,145	-
Other liabilities	56,906,518	5,137,740	531,633	55,980,460	4,171,416	1,037,498
<b>Total financial liabilities</b>	<b>2,657,205,625</b>	<b>355,739,462</b>	<b>43,071,201</b>	<b>2,252,535,929</b>	<b>335,758,119</b>	<b>61,635,780</b>
<b>Net</b>	<b>291,146,734</b>	<b>65,818,757</b>	<b>(16,653,584)</b>	<b>190,743,940</b>	<b>68,284,852</b>	<b>(9,801,133)</b>

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**31. FINANCIAL RISK MANAGEMENT** (continued)

**31.3 Market risk** (continued)

(ii) *Price risk*

The Company is not exposed to securities price risk because it does not hold any investment classified in the statement of financial position either as available for sale or at fair value through profit or loss.

(iii) *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes and may reduce losses in the event that unexpected movements arise. The management of the Company, at this stage, does not have a policy to set limits on the level of mismatch of interest rate re-pricing that may be undertaken; however, management regularly monitors the mismatch.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. The Company manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

The Company has no significant financial assets and liabilities with floating interest rates. Balances with the NBC and balances with other banks earn fixed interest for the period of the deposits while loans to customers earn fixed interest based on the outstanding balance over the agreed term.

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31. FINANCIAL RISK MANAGEMENT (continued)

31.3 Market risk (continued)

(iii) Interest rate risk (continued)

	31 December 2020						
	Up to 1 month USD	>1 to 3 months USD	>3 to 12 months USD	>1 to 5 years USD	Over 5 years USD	Non-interest sensitive USD	Total USD
<b>Financial assets</b>							
Cash on hand	-	-	-	-	-	160,578,086	160,578,086
Balances with the NBC	164,833,127	374,166	148,888	-	-	87,265,228	252,621,409
Balances with other banks	190,905	-	-	-	-	3,784,124	3,975,029
Loans to customers	87,787,557	126,513,737	533,706,752	1,905,282,319	325,289,569	-	2,978,579,934
Other assets	-	-	-	-	-	573,737	573,737
Total financial assets	<u>252,811,589</u>	<u>126,887,903</u>	<u>533,855,640</u>	<u>1,905,282,319</u>	<u>325,289,569</u>	<u>252,201,175</u>	<u>3,396,328,195</u>
<b>Financial liabilities</b>							
Deposits from banks and other financial institutions	2,935,217	11,010,000	22,200,000	-	-	-	36,145,217
Deposits from customers	350,832,784	365,363,223	1,242,343,815	66,679,279	-	-	2,025,219,101
Borrowings	20,556,075	27,787,120	244,000,458	496,029,950	999,832	-	789,373,435
Bonds payable	-	-	-	30,251,674	-	-	30,251,674
Subordinated debts	1,000,463	1,667,530	8,667,839	62,261,644	38,853,495	-	112,450,970
Other liabilities	-	-	-	-	-	62,575,891	62,575,891
Total financial liabilities	<u>375,324,539</u>	<u>405,827,873</u>	<u>1,517,212,112</u>	<u>655,222,547</u>	<u>39,853,327</u>	<u>62,575,891</u>	<u>3,056,016,288</u>
<b>Maturity gap</b>	<u><b>(122,512,950)</b></u>	<u><b>(278,939,970)</b></u>	<u><b>(983,356,472)</b></u>	<u><b>1,250,059,772</b></u>	<u><b>285,436,242</b></u>	<u><b>189,625,284</b></u>	<u><b>340,311,907</b></u>
<b>KHR'000 equivalent</b> (Note 2.1.1)	<u><b>(495,564,881)</b></u>	<u><b>(1,128,312,177)</b></u>	<u><b>(3,977,676,931)</b></u>	<u><b>5,056,491,780</b></u>	<u><b>1,154,589,599</b></u>	<u><b>767,034,274</b></u>	<u><b>1,376,561,664</b></u>

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31. FINANCIAL RISK MANAGEMENT (continued)

31.3 Market risk (continued)

(iii) Interest rate risk (continued)

	31 December 2019							
	Up to 1 month USD	>1 to 3 months USD	>3 to 12 months USD	>1 to 5 years USD	Over 5 years USD	Non-interest sensitive USD	Total USD	
<b>Financial assets</b>								
Cash on hand	-	-	-	-	-	150,702,355	150,702,355	
Balances with the NBC	129,872,546	-	148,160	-	-	148,644,233	278,664,939	
Balances with other banks	19,337	-	-	-	-	1,072,902	1,092,239	
Loans to customers	81,222,870	121,531,699	493,321,555	1,630,854,014	141,295,473	-	2,468,225,611	
Other assets	-	-	-	-	-	472,343	472,343	
Total financial assets	211,114,753	121,531,699	493,469,715	1,630,854,014	141,295,473	300,891,833	2,899,157,487	
<b>Financial liabilities</b>								
Deposits from banks and other financial institutions	11,655,191	14,224,540	29,112,270	100,000	-	-	55,092,001	
Deposits from customers	318,803,361	285,833,627	1,070,832,748	57,971,189	-	-	1,733,440,925	
Borrowings	29,259,333	33,803,355	184,547,047	476,686,982	-	-	724,296,717	
Subordinated debts	1,000,000	1,666,667	9,166,667	39,333,333	24,744,144	-	75,910,811	
Other liabilities	-	-	-	-	-	61,189,373	61,189,373	
Total financial liabilities	360,717,885	335,528,189	1,293,658,732	574,091,504	24,744,144	61,189,373	2,649,929,827	
<b>Maturity gap</b>	<b>(149,603,132)</b>	<b>(213,996,490)</b>	<b>(800,189,017)</b>	<b>1,056,762,510</b>	<b>116,551,329</b>	<b>239,702,460</b>	<b>249,227,660</b>	
<b>KHR'000 equivalent</b> (Note 2.1.1)	<b>(609,632,763)</b>	<b>(872,035,697)</b>	<b>(3,260,770,244)</b>	<b>4,306,307,228</b>	<b>474,946,666</b>	<b>976,787,525</b>	<b>1,015,602,715</b>	

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**31. FINANCIAL RISK MANAGEMENT** (continued)

**31.4 Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

Management monitors statement of financial position liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the daily cash position and projection for the next day, week and month, respectively, as these are key periods for liquidity management. Management monitors the movements of the main depositors and projection of their withdrawals.

Analysis of the assets and liabilities of the Company by relevant maturity based on the remaining period at the statement of financial position date to the contractual or estimated maturity dates is as follows:

	31 December 2020							
	Up to 1 month USD	>1 to 3 months USD	>3 to 12 months USD	>1 to 5 years USD	Over 5 years USD	No fixed maturity date USD	Total USD	
<b>Financial assets</b>								
Cash on hand	160,578,086	-	-	-	-	-	160,578,086	
Balances with the NBC	252,098,355	374,411	149,900	-	-	-	252,622,666	
Balances with other banks	3,975,029	-	-	-	-	-	3,975,029	
Loans to customers	128,034,877	195,482,549	815,764,869	2,552,718,693	376,154,882	-	4,068,155,870	
Other assets	545,570	-	-	-	-	28,167	573,737	
<b>Total financial assets</b>	<b>545,231,917</b>	<b>195,856,960</b>	<b>815,914,769</b>	<b>2,552,718,693</b>	<b>376,154,882</b>	<b>28,167</b>	<b>4,485,905,388</b>	
<b>Financial liabilities</b>								
Deposits from banks and other financial institutions	2,938,586	11,096,007	22,785,781	-	-	-	36,820,374	
Deposits from customers	361,118,911	383,604,323	1,327,262,140	79,279,251	413,441	-	2,151,678,066	
Borrowings	23,977,843	34,317,041	270,122,286	525,552,471	1,016,889	-	854,986,530	
Bonds payable	-	-	2,202,052	33,560,785	-	-	35,762,837	
Subordinated debts	1,415,222	1,925,629	16,205,410	84,183,703	45,036,359	-	148,766,323	
Other liabilities	62,575,891	-	-	-	-	-	62,575,891	
<b>Total financial liabilities</b>	<b>452,026,453</b>	<b>430,943,000</b>	<b>1,638,577,669</b>	<b>722,576,210</b>	<b>46,466,689</b>	<b>-</b>	<b>3,290,590,021</b>	
<b>Net liquidity surplus (gap)</b>	<b>93,205,464</b>	<b>(235,086,040)</b>	<b>(822,662,900)</b>	<b>1,830,142,483</b>	<b>329,688,193</b>	<b>28,167</b>	<b>1,195,315,367</b>	
<b>KHR'000 equivalent</b> (Note 2.1.1)	<b>377,016,102</b>	<b>(950,923,032)</b>	<b>(3,327,671,431)</b>	<b>7,402,926,344</b>	<b>1,333,588,741</b>	<b>113,936</b>	<b>4,835,050,660</b>	

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31. FINANCIAL RISK MANAGEMENT (continued)

31.4 Liquidity risk (continued)

	31 December 2019						
	Up to 1 month USD	>1 to 3 months USD	>3 to 12 months USD	>1 to 5 years USD	Over 5 years USD	No fixed maturity date USD	Total USD
<b>Financial assets</b>							
Cash on hand	150,702,355	-	-	-	-	-	150,702,355
Balances with the NBC	278,517,274	-	149,552	-	-	-	278,666,826
Balances with other banks	1,092,239	-	-	-	-	-	1,092,239
Loans to customers	113,632,734	180,632,567	725,903,701	2,102,424,365	158,564,695	-	3,281,158,062
Other assets	444,176	-	-	-	-	28,167	472,343
<b>Total financial assets</b>	<b>544,388,778</b>	<b>180,632,567</b>	<b>726,053,253</b>	<b>2,102,424,365</b>	<b>158,564,695</b>	<b>28,167</b>	<b>3,712,091,825</b>
<b>Financial liabilities</b>							
Deposits from banks and other financial institutions	11,673,789	14,321,481	30,208,616	100,000	-	-	56,303,886
Deposits from customers	327,692,860	302,198,722	1,154,730,859	68,760,436	-	-	1,853,382,877
Borrowings	35,519,536	41,475,591	213,432,044	515,792,147	-	-	806,219,318
Subordinated debts	1,508,624	1,918,471	13,465,556	51,106,902	29,763,337	-	97,762,890
Other liabilities	61,189,373	-	-	-	-	-	61,189,373
<b>Total financial liabilities</b>	<b>437,584,182</b>	<b>359,914,265</b>	<b>1,411,837,075</b>	<b>635,759,485</b>	<b>29,763,337</b>	<b>-</b>	<b>2,874,858,346</b>
<b>Net liquidity surplus (gap)</b>	<b>106,804,596</b>	<b>(179,281,698)</b>	<b>(685,783,822)</b>	<b>1,466,664,880</b>	<b>128,801,358</b>	<b>28,167</b>	<b>837,233,481</b>
<b>KHR'000 equivalent (Note 2.1.1)</b>	<b>435,228,729</b>	<b>(730,572,919)</b>	<b>(2,794,569,075)</b>	<b>5,976,659,386</b>	<b>524,865,534</b>	<b>114,781</b>	<b>3,411,726,435</b>

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**32. 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 are excluded as they do not fall within the scope of CIFRS 7, *Financial Instruments Disclosures* which requires the fair value information to be disclosed. These include investment in subsidiaries and property and equipment.

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 value 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 values of the financial instruments are:

*Cash on hand, balances with the NBC and 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 and borrowings*

The estimated fair value of demand deposits with no stated maturity, which include 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.

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32. 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 summarizes the fair value hierarchy of financial asset and liabilities which are not measured at fair values but for which fair values are disclosed.

	31 December 2020				
	<i>Carrying value</i>	<i>Fair value</i>			
			<i>Quoted prices in active market</i>	<i>Significant observable inputs</i>	<i>Significant unobservable inputs</i>
	<i>USD'000</i>	<i>Total USD'000</i>	<i>Level 1 USD'000</i>	<i>Level 2 USD'000</i>	<i>Level 3 USD'000</i>
<b>Financial asset for which fair value is disclosed</b>					
Loans and receivables	<b>2,978,580</b>	<b>3,122,262</b>	-	-	<b>3,122,262</b>
<b>KHR'000,000 equivalent (Note 2.1.1)</b>	<b>12,048,356</b>	<b>12,629,550</b>	-	-	<b>12,629,550</b>
<b>Financial liabilities for which fair values are disclosed</b>					
Borrowings	789,373	802,686	-	-	802,686
Bonds payable	30,252	31,978	-	-	31,978
Subordinated debts	112,451	115,584	-	-	115,584
	<b>932,076</b>	<b>950,248</b>	-	-	<b>950,248</b>
<b>KHR'000,000 equivalent (Note 2.1.1)</b>	<b>3,770,247</b>	<b>3,843,753</b>	-	-	<b>3,843,753</b>

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32. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

	31 December 2019				
	Carrying value	Fair value			
		Quoted prices in active market	Significant observable inputs	Significant unobservable inputs	
	Total	Level 1	Level 2	Level 3	
	USD'000	USD'000	USD'000	USD'000	USD'000
<b>Financial asset for which fair value is disclosed</b>					
Loans and receivables	<b>2,468,226</b>	<b>2,578,281</b>	-	-	<b>2,578,281</b>
<b>KHR'000,000 equivalent (Note 2.1.1)</b>	<b>10,058,019</b>	<b>10,506,495</b>	-	-	<b>10,506,495</b>
<b>Financial liabilities for which fair values are disclosed</b>					
Borrowings	724,297	737,178	-	-	737,178
Subordinated debts	75,911	77,349	-	-	77,349
	<b>800,208</b>	<b>814,527</b>	-	-	<b>814,527</b>
<b>KHR'000,000 equivalent (Note 2.1.1)</b>	<b>3,260,846</b>	<b>3,319,197</b>	-	-	<b>3,319,197</b>

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.

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**33. MATURITY PROFILE OF ASSETS AND LIABILITIES**

The following table presents an analysis of the maturity profile of the Company's assets and liabilities as to whether they are expected to be recovered or settled within one year or beyond one year from the statement of financial position date:

	31 December 2020			31 December 2019		
	Within one year USD	Beyond one year USD	Total USD	Within one year USD	Beyond one year USD	Total USD
<b>Financial assets</b>						
Cash and cash equivalents	417,214,675	185,733,990	602,948,665	430,470,566	161,158,266	591,628,832
Loans to customers	762,304,990	2,265,888,437	3,028,193,427	703,363,935	1,791,094,568	2,494,458,503
Refundable deposits	-	513,266	513,266	-	429,171	429,171
Other assets	42,604	28,167	70,771	23,846	28,167	52,013
	<b>1,179,562,269</b>	<b>2,452,163,860</b>	<b>3,631,726,129</b>	<b>1,133,858,347</b>	<b>1,952,710,172</b>	<b>3,086,568,519</b>
<b>Non-financial assets</b>						
Other assets	-	767,359	767,359	642,923	7,607,783	8,250,706
Property and equipment	-	20,807,654	20,807,654	-	18,117,271	18,117,271
Right-of-use assets	-	26,355,581	26,355,581	-	21,363,619	21,363,619
Software costs	-	4,111,906	4,111,906	-	3,637,572	3,637,572
Deferred tax assets	-	10,904,851	10,904,851	-	9,198,173	9,198,173
	-	<b>62,947,351</b>	<b>62,947,351</b>	<b>642,923</b>	<b>59,924,418</b>	<b>60,567,341</b>
Allowance for ECLs	-	-	(49,663,944)	-	-	(26,252,766)
Accumulated depreciation and amortisation	-	-	(28,682,991)	-	-	(22,352,024)
<b>Total assets</b>	<b>1,179,562,269</b>	<b>2,515,111,211</b>	<b>3,616,326,545</b>	<b>1,134,501,270</b>	<b>2,012,634,590</b>	<b>3,098,531,070</b>
<b>KHR'000 equivalent (Note 2.1.1)</b>	<b>4,771,329,378</b>	<b>10,173,624,848</b>	<b>14,628,040,875</b>	<b>4,623,092,675</b>	<b>8,201,485,954</b>	<b>12,626,514,110</b>

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33. MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

	31 December 2020			31 December 2019		
	Within one year USD	Beyond one year USD	Total USD	Within one year USD	Beyond one year USD	Total USD
<b>Financial liabilities</b>						
Deposits from customers and other financial institutions	1,994,685,039	66,679,279	2,061,364,318	1,730,461,737	58,071,189	1,788,532,926
Borrowings	292,343,653	497,029,782	789,373,435	247,609,735	476,686,982	724,296,717
Bonds payable	-	30,251,674	30,251,674	-	-	-
Subordinated debts	11,335,831	101,115,139	112,450,970	11,833,334	64,077,477	75,910,811
Other liabilities	61,023,273	1,552,618	62,575,891	57,849,746	3,339,627	61,189,373
Lease liabilities	3,640,367	10,784,451	14,424,818	3,629,105	9,543,623	13,172,728
	<u>2,363,028,163</u>	<u>707,412,943</u>	<u>3,070,441,106</u>	<u>2,051,383,657</u>	<u>611,718,898</u>	<u>2,663,102,555</u>
<b>Non-financial liabilities</b>						
Other liabilities	2,535,245	-	2,535,245	1,929,927	-	1,929,927
Employee benefits	435,375	-	435,375	74,562	-	74,562
Income tax payable	24,076,695	-	24,076,695	23,414,889	-	23,414,889
	<u>27,047,315</u>	<u>-</u>	<u>27,047,315</u>	<u>25,419,378</u>	<u>-</u>	<u>25,419,378</u>
<b>Total liabilities</b>	<b><u>2,390,075,478</u></b>	<b><u>707,412,943</u></b>	<b><u>3,097,488,421</u></b>	<b><u>2,076,803,035</u></b>	<b><u>611,718,898</u></b>	<b><u>2,688,521,933</u></b>
<b>KHR'000 equivalent (Note 2.1.1)</b>	<b><u>9,667,855,310</u></b>	<b><u>2,861,485,353</u></b>	<b><u>12,529,340,663</u></b>	<b><u>8,462,972,368</u></b>	<b><u>2,492,754,510</u></b>	<b><u>10,955,726,878</u></b>

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**34. TAX CONTINGENCY**

The taxation system in Cambodia is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Company could be significant.

**35. SUBSEQUENT EVENTS**

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no other events which occurred subsequent to 31 December 2020 that had significant impact on the statement of financial position of the Company as at 31 December 2020, and its financial performance for the year then ended.