

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

Unaudited interim condensed financial statements prepared in accordance with
Cambodian International Accounting Standard 34, *Interim Financial Reporting*

As at 30 June 2020 and for the six-month period 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 unaudited interim condensed financial statements as at 30 June 2020 and for the six-month period 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 effective on 14 December 2007. In addition, the Company received the license from the NBC to conduct a deposit-taking business on 27 August 2010 and permission to conduct automated teller machine and point-of-sale services on 1 December 2011.

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

FINANCIAL RESULTS

The financial results of the Company for the six-month period ended 30 June 2020 were disclosed in the statement of comprehensive income.

DIVIDENDS

No dividends were declared or paid during the period 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 period other than those disclosed in the unaudited interim condensed financial statements.

EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

Before the unaudited interim condensed 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 provision for expected credit losses on loans 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 the provision for bad and doubtful loans in the unaudited interim condensed financial statements of the Company inadequate to any material extent.

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

REPORT OF THE BOARD OF DIRECTORS (continued)

ASSETS

Before the unaudited interim condensed 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 unaudited interim condensed 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 unaudited interim condensed 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 unaudited interim condensed financial statements of the Company, which would render any amount stated in the unaudited interim condensed financial statements misleading.

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

Nothing has arisen during in the interval between the end of the reporting period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the BOD, to affect substantially the results of the operations of the Company for the current reporting period in which this report is made.

SUBSEQUENT EVENTS

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

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

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

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

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

REPORT OF THE BOARD OF DIRECTORS (continued)

STATEMENT OF THE BOD'S RESPONSIBILITY IN RESPECT TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

The BOD is responsible for ensuring that the unaudited interim condensed financial statements of the Company as at 30 June 2020 and for the six-month period then ended which are prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, *Interim Financial Reporting* ("CIAS 34"). The BOD oversees preparation of these unaudited interim condensed financial statements by management who is required to:

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

APPROVAL OF THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

We hereby approve the accompanying unaudited interim condensed financial statements which are prepared, in all material respects, in accordance with CIAS 34.

On behalf of the Board of Directors 



Sim Senacheert
Director



Phnom Penh, Kingdom of Cambodia
Date: 7 September 2020

Reference: 61398519/22158088

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

To: The Shareholders of Prasac Microfinance Institution Plc.

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Prasac Microfinance Institution Plc. (*formerly Prasac Microfinance Institution Limited*) ("the Company") as at 30 June 2020, and the related interim condensed statement of comprehensive income, interim condensed statement of changes in equity and interim condensed statement of cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with Cambodian International Accounting Standard 34, *Interim Financial Reporting* ("CIAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements do not give a true and fair view of the financial position of the Company as at 30 June 2020, and its financial performance and its cash flows for the six-month period then ended, in accordance with CIAS 34.




Maria Cristina M. Calimbas
Partner

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

Phnom Penh, Kingdom of Cambodia

7 September 2020

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

UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
as at 30 June 2020

	Notes	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
		USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
ASSETS					
Cash on hand	3	157,810,726	645,919,302	150,702,355	614,112,097
Balances with the National Bank of Cambodia	4	541,015,828	2,214,377,784	439,823,205	1,792,279,560
Balances with other banks	5	2,185,500	8,945,252	1,092,239	4,450,874
Loans to customers	6	2,610,770,939	10,685,885,453	2,468,225,611	10,058,019,365
Other assets	7	5,504,613	22,530,381	8,723,049	35,546,425
Property and equipment	8	5,903,942	24,164,835	4,906,287	19,993,120
Right-of-use assets	9	14,964,563	61,249,956	14,360,265	58,518,080
Intangible assets	10	1,736,100	7,105,857	1,499,886	6,112,035
Deferred tax assets	17.3	13,256,134	54,257,356	9,198,173	37,482,555
TOTAL ASSETS		3,353,148,345	13,724,436,176	3,098,531,070	12,626,514,111
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from banks and other financial institutions	11	61,337,298	251,053,561	55,092,001	224,499,904
Deposits from customers	12	1,869,806,964	7,653,119,904	1,733,440,925	7,063,771,769
Borrowings	13	781,820,507	3,199,991,335	724,296,717	2,951,509,122
Bonds payable	14	30,535,399	124,981,389	-	-
Subordinated debts	15	65,479,401	268,007,188	75,910,811	309,336,555
Lease liabilities	16	13,956,384	57,123,480	13,172,728	53,678,867
Income tax payable	17.2	11,704,454	47,906,330	23,414,889	95,415,673
Provision for employee benefits	18	512,216	2,096,500	74,562	303,840
Other liabilities	19	70,613,072	289,019,304	63,119,300	257,211,148
Total liabilities		2,905,765,695	11,893,298,991	2,688,521,933	10,955,726,878
SHAREHOLDERS' EQUITY					
Share capital	20	230,000,000	920,000,000	230,000,000	920,000,000
Retained earnings		214,260,008	874,532,018	172,806,881	705,569,074
Reserve fund	20	3,122,642	12,653,649	3,093,332	12,534,181
Regulatory reserve	20	-	-	4,108,924	16,649,360
Cumulative translation differences		-	23,951,518	-	16,034,618
Total shareholders' equity		447,382,650	1,831,137,185	410,009,137	1,670,787,233
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,353,148,345	13,724,436,176	3,098,531,070	12,626,514,111

The attached notes 1 to 32 form part of these unaudited interim condensed financial statements.

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

UNAUDITED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the six-month period ended 30 June 2020

Notes	For the six-month period ended 30 June 2020 (Unaudited)		For the six-month period ended 30 June 2019 (Unaudited)		
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)	
Operating income					
Interest income	21	207,160,286	844,385,325	175,919,689	708,780,427
Interest expense	22	(98,363,700)	(400,930,443)	(78,556,842)	(316,505,518)
Net interest income		108,796,586	443,454,882	97,362,847	392,274,909
Fees and commission income	23	2,469,833	10,067,039	457,518	1,843,340
Fees and commission expense	23	(62,286)	(253,878)	(78,788)	(317,437)
Net fees and commission income		2,407,547	9,813,161	378,730	1,525,903
Other income	24	4,602,130	18,758,283	7,010,711	28,246,154
Grant income		258,016	1,051,673	-	-
Total other income		4,860,146	19,809,956	7,010,711	28,246,154
Total operating, fees, commission and other income		116,064,279	473,077,999	104,752,288	422,046,966
Personnel expenses	25	(34,696,344)	(141,422,298)	(29,740,059)	(119,822,698)
Provisions for expected credit losses	6	(23,507,072)	(95,814,825)	(6,551,230)	(26,394,907)
General and administrative expenses	26	(7,864,331)	(32,055,015)	(6,107,239)	(24,606,067)
Depreciation and amortization	27	(3,196,425)	(13,028,627)	(2,970,459)	(11,967,978)
Net foreign exchange loss		(39,665)	(161,675)	(270,198)	(1,088,628)
Profit before income tax		46,760,442	190,595,559	59,113,103	238,166,688
Income tax expense	17.1	(9,386,929)	(38,261,123)	(11,864,147)	(47,800,646)
Net profit for the period		37,373,513	152,334,436	47,248,956	190,366,042
<i>Other comprehensive income item</i>					
Translation difference		-	7,916,900	-	16,460,397
Total comprehensive income		37,373,513	160,251,336	47,248,956	206,826,439

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

UNAUDITED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME.(continued)
For the three-month period ended 30 June 2020

	Notes	For the three-month period ended 30 June 2020 (Unaudited)		For the three-month period ended 30 June 2019 (Unaudited)	
		USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Operating income					
Interest income	21	102,980,927	421,000,413	91,613,347	371,049,221
Interest expense	22	(49,967,611)	(204,248,737)	(41,128,056)	(166,565,801)
Net interest income		53,013,316	216,751,676	50,485,291	204,483,420
Fees and commission income	23	520,855	2,146,392	221,419	897,527
Fees and commission expense	23	(30,040)	(122,830)	(26,848)	(109,365)
Net fees and commission income		490,815	2,023,562	194,571	788,162
Other income	24	1,786,403	7,315,167	3,149,008	12,776,172
Grant income		258,016	1,051,673	-	-
Total other income		2,044,419	8,366,840	3,149,008	12,776,172
Total operating, fees, commission and other income		55,548,550	227,142,078	53,828,870	218,047,754
Personnel expenses	25	(15,766,304)	(64,490,615)	(14,687,651)	(59,522,752)
Provisions for expected credit losses	6	(16,936,744)	(69,113,012)	(2,519,988)	(10,245,749)
General and administrative expenses	26	(3,920,864)	(16,028,763)	(2,729,195)	(11,073,622)
Depreciation and amortization	27	(1,615,848)	(6,605,161)	(1,481,018)	(6,001,278)
Net foreign exchange loss		(1,193,576)	(4,851,171)	(378,696)	(1,523,270)
Profit before income tax		16,115,214	66,053,356	32,032,322	129,681,083
Income tax expense	17.1	(3,223,934)	(13,214,711)	(6,401,726)	(25,918,190)
Net profit for the period		12,891,280	52,838,645	25,630,596	103,762,893
<i>Other comprehensive income item</i>					
Translation difference		-	9,820,053	-	17,185,341
Total comprehensive income		12,891,280	62,658,698	25,630,596	120,948,234

The attached notes 1 to 32 form part of these unaudited interim condensed financial statements.

PRASAC Microfinance Institution Plc.
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UNAUDITED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the six-month period ended 30 June 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</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 period	-	37,373,513	-	-	-	37,373,513
Transfer from regulatory reserve	-	4,108,924	-	(4,108,924)	-	-
Transfer to reserve fund	-	(29,310)	29,310	-	-	-
Translation difference	-	-	-	-	7,916,900	-
Balance as at 30 June 2020	230,000,000	214,260,008	3,122,642	-	-	447,382,650
KHR'000 equivalent (Note 2.2)	920,000,000	874,532,018	12,653,649	-	23,951,518	1,831,137,185
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 period	-	47,248,956	-	-	-	47,248,956
Capitalization of retained earnings	58,000,000	(58,000,000)	-	-	-	-
Transfer to regulatory reserve	-	(2,371,267)	-	2,371,267	-	-
Transfer to reserve fund	-	(58,620)	58,620	-	-	-
Translation difference	-	-	-	-	16,460,397	-
Balance as at 30 June 2019	168,000,000	180,047,788	3,034,711	2,670,276	-	353,752,775
KHR'000 equivalent (Note 2.2)	672,000,000	730,654,390	12,274,468	10,763,326	12,666,599	1,438,358,783

The attached notes 1 to 32 form part of these unaudited interim condensed financial statements.

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

UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the six-month period ended 30 June 2020

Notes	For the six-month period ended 30 June 2020 (Unaudited)		For the six-month period ended 30 June 2019 (Unaudited)		
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)	
OPERATING ACTIVITIES					
	Net cash provided by (used in) operating activities				
28	22,846,381	93,121,841	(73,598,476)	(297,359,095)	
INVESTING ACTIVITIES					
<i>Acquisition of:</i>					
	Property and equipment	(2,058,017)	(8,388,477)	(933,517)	(3,761,140)
	Intangible assets	(415,007)	(1,691,569)	(180,504)	(727,251)
	Investment in negotiable certificates of deposit	147,728	602,139	-	-
	Proceeds from disposal of property and equipment	5,731	23,358	19,893	80,149
	Net cash used in investing activities	(2,319,565)	(9,454,549)	(1,094,128)	(4,408,242)
FINANCING ACTIVITIES					
<i>Proceeds from:</i>					
	Borrowings	199,879,283	814,707,956	173,034,581	697,156,327
	Bonds payable	31,077,449	127,200,000	-	-
<i>Repayment of:</i>					
	Borrowings	(142,820,262)	(582,135,388)	(94,068,638)	(379,002,543)
	Subordinated debts	(8,257,720)	(33,658,467)	(10,166,667)	(40,961,501)
	Lease liabilities	(1,958,370)	(7,982,314)	(1,195,205)	(4,815,481)
	Net cash provided by financing activities	77,920,380	318,131,787	67,604,071	272,376,802
	Net increase in cash and cash equivalents	98,447,196	401,799,079	(7,088,533)	(29,390,535)
	Cash and cash equivalents at beginning of period	430,311,373	1,753,518,845	290,922,079	1,168,924,914
	Translation adjustment	(2,274,292)	(417,778)	(2,681,159)	3,631,227
3	Cash and cash equivalents at end of period	526,484,277	2,154,900,146	281,152,387	1,143,165,606
Operational cash flows from interest					
	Interest received	205,574,928	837,530,521	173,522,089	704,722,482
	Interest paid	96,712,542	393,132,430	62,179,960	250,836,948

The attached notes 1 to 32 form part of these unaudited interim condensed financial statements.

PRASAC Microfinance Institution Plc.

(formerly *Prasac Microfinance Institution Limited*)

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 June 2020 and for the six-month period 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 effective 14 December 2007. In addition, the Company received the license from the NBC to conduct a deposit-taking business on 27 August 2010 and permission to conduct automated teller machine and point-of-sale services on 1 December 2011.

The principal activity of the Company is to provide financial services to rural communities and micro-enterprises of Cambodia through its head office in Phnom Penh and various branches in Phnom Penh and provinces in 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 30 June 2020, the Company had 9,382 employees (31 December 2019: 9,091 employees).

Approval of the financial statements

The unaudited interim condensed financial statements were authorized for issue by the Board of Directors on 7 September 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 ***Use of interim condensed financial statements and basis of preparation***

The unaudited interim condensed financial statements have been prepared on a historical cost basis. The Company maintains records and prepares financial statements in Khmer riel (“KHR”), Thai baht (“THB”) and United States dollar (“USD”). Management has determined the USD to be the Company’s measurement and presentation currency as it reflects the economic substance of the underlying events circumstances of the Company.

The unaudited interim condensed financial statements as at 30 June 2020 and for the six month-period then ended have been prepared in compliance with Cambodian International Accounting Standard 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2019 and for the year then ended, which have been prepared in accordance with Cambodian International Financial Reporting Standards.

The accounting policies adopted in the preparation of these unaudited interim condensed financial statements are consistent with those followed in the preparation of the audited financial statements as at 31 December 2019 and for the year then ended.

Seasonality or cyclicity of interim operations is not applicable to the Company’s type of business.

PRASAC Microfinance Institution Plc.
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NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 June 2020 and for the six-month period then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Translation of United States dollar into Khmer Riel

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 KHR 4,000 per USD1. The items in the statements of comprehensive income and cash flows are translated into KHR using the average rate for the period. Exchange differences arising from the translation are recognized and accumulated in the cumulative translation adjustments presented under equity in the statement of financial position.

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

	30 June 2020	31 December 2019	30 June 2019
Closing rate	4,093	4,075	4,066
Average rate	4,076	4,052	4,029

3. CASH ON HAND

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Head office	51,796,141	212,001,605	25,521,565	104,000,377
Branches	106,014,585	433,917,697	125,180,790	510,111,720
	157,810,726	645,919,302	150,702,355	614,112,097

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

	For the six-month period ended 30 June 2020 (Unaudited)		For the six-month period ended 30 June 2019 (Unaudited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Cash on hand	157,810,726	645,919,302	95,222,785	387,175,844
<i>Balances with the NBC</i>				
Current accounts	156,264,755	639,591,642	76,932,493	312,807,517
Term deposits (up to three months)	210,223,296	860,443,951	104,499,090	424,893,300
<i>Balances with other banks</i>				
Current accounts	2,129,337	8,715,376	4,245,426	17,261,902
Savings accounts	56,163	229,875	252,593	1,027,043
	526,484,277	2,154,900,146	281,152,387	1,143,165,606

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4. BALANCES WITH THE NBC

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Current accounts	156,264,755	639,591,642	148,644,233	605,725,249
Term deposits (up to three months)	210,223,296	860,443,951	129,872,546	529,230,625
Term deposits (More than three months)	147,728	604,651	148,160	603,752
Capital guarantee	23,000,000	94,139,000	23,000,000	93,725,000
Reserve requirement	151,380,049	619,598,540	138,158,266	562,994,934
	541,015,828	2,214,377,784	439,823,205	1,792,279,560

Current accounts earn no interest.

Term deposits maturing up to three months earn annual interest at rates ranging from 0.03% to 0.06% and for more than three months at 0.74% (2019: from 0.30% to 2.75%).

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 0.48% during the period (2019: 3.00%).

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.

5. BALANCES WITH OTHER BANKS

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Current accounts	2,150,845	8,803,409	1,060,912	4,323,216
Savings accounts	56,730	232,196	42,360	172,617
Gross balances with other banks	2,207,575	9,035,605	1,103,272	4,495,833
Allowance for ECLs	(22,075)	(90,353)	(11,033)	(44,959)
NET	2,185,500	8,945,252	1,092,239	4,450,874

Current accounts earn interest up to 1.25%. Savings accounts earn annual interest at rates ranging from 0.15% to 1% during the period (2019: 0.00% to 0.75%).

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6. LOANS TO CUSTOMERS

Loans to customers are categorized as follows:

	30 June 2020 (Unaudited)				
	Stage 1	Stage 2	Stage 3	Total	
	USD	USD	USD	USD	KHR'000 equivalent (Note 2.2)
Individual loans	2,525,834,287	79,124,257	12,518,751	2,617,477,295	10,713,334,568
Small and medium enterprises	36,084,279	2,719,675	544,484	39,348,438	161,053,157
Staff loans	8,131,044	24,373	1,109	8,156,526	33,384,661
Group loans	497,691	7,997	2,563	508,251	2,080,271
	2,570,547,301	81,876,302	13,066,907	2,665,490,510	10,909,852,657
Unamortised loan processing fees	(26,039,027)	(771,031)	(97,667)	(26,907,725)	(110,133,318)
	2,544,508,274	81,105,271	12,969,240	2,638,582,785	10,799,719,339
Accrued interest receivable	19,608,840	1,011,520	1,294,731	21,915,091	89,698,467
	2,564,117,114	82,116,791	14,263,971	2,660,497,876	10,889,417,806
Allowance for ECLs	(16,029,867)	(23,756,532)	(9,940,538)	(49,726,937)	(203,532,353)
Net	2,548,087,247	58,360,259	4,323,433	2,610,770,939	10,685,885,453
	31 December 2019 (Audited)				
	Stage 1	Stage 2	Stage 3	Total	
	USD	USD	USD	USD	KHR'000 equivalent (Note 2.2)
Individual loans	2,444,568,381	1,361,458	7,617,856	2,453,547,695	9,998,206,859
Small and medium enterprises	38,119,736	16,211	199,753	38,335,700	156,217,977
Staff loans	8,766,819	192	1,376	8,768,388	35,731,180
Group loans	642,973	885	626	644,485	2,626,275
	2,492,097,909	1,378,746	7,819,611	2,501,296,268	10,192,782,291
Unamortised loan processing fees	(27,090,829)	(13,296)	(63,372)	(27,167,497)	(110,707,550)
	2,465,007,080	1,365,450	7,756,239	2,474,128,771	10,082,074,741
Accrued interest receivable	19,669,265	28,753	631,714	20,329,732	82,843,658
	2,484,676,345	1,394,203	8,387,953	2,494,458,503	10,164,918,399
Allowance for ECLs	(18,696,858)	(481,191)	(7,054,843)	(26,232,892)	(106,899,034)
Net	2,465,979,487	913,012	1,333,110	2,468,225,611	10,058,019,365

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6. **LOANS TO CUSTOMERS** (continued)

Movements of allowance for ECLs are as follows:

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
At beginning of period/year	26,232,892	106,899,034	26,663,309	107,133,176
Provision during the period/year	23,494,045	95,761,729	9,359,990	37,926,679
Written-off during the period/year	-	-	(9,790,407)	(39,670,729)
Foreign exchange difference	-	871,590	-	1,509,908
At end of period/year	49,726,937	203,532,353	26,232,892	106,899,034

Further analyses of loans to customers are set out below.

(a) By security

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Secured				
Real estate	161,329,686	660,322,405	167,125,162	681,035,035
Chattel	110,442,116	452,039,581	90,812,685	370,061,691
Deposit hold-out	600,441	2,457,605	719,708	2,932,810
Others	791,988,552	3,241,609,142	728,089,217	2,966,963,559
Unsecured				
Real estate	231,593,672	947,912,899	240,791,888	981,226,944
Chattel	152,479,899	624,100,227	133,443,891	543,783,856
Others	1,212,063,510	4,960,975,947	1,133,475,952	4,618,914,504
Total	2,660,497,876	10,889,417,806	2,494,458,503	10,164,918,399

(b) By maturity

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Within one month	83,113,212	340,182,377	82,075,603	334,458,081
More than 1 month to 3 months	110,419,637	451,947,574	122,796,948	500,397,563
More than 3 months to 12 months	530,580,255	2,171,664,984	498,491,384	2,031,352,390
More than 1 year to 5 years	1,762,749,522	7,214,933,793	1,648,272,399	6,716,710,026
More than 5 years	173,635,250	710,689,078	142,822,169	582,000,339
Total	2,660,497,876	10,889,417,806	2,494,458,503	10,164,918,399

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6. LOANS TO CUSTOMERS (continued)

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

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

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
<i>Residency</i>				
Residents	2,660,497,876	10,889,417,806	2,494,458,503	10,164,918,399
<i>Relationship</i>				
External customers	2,652,352,672	10,856,079,486	2,485,691,351	10,129,192,255
Staff loans	8,145,204	33,338,320	8,767,152	35,726,144
	2,660,497,876	10,889,417,806	2,494,458,503	10,164,918,399
<i>Currency</i>				
USD	2,296,975,478	9,401,520,631	2,139,255,629	8,717,466,685
KHR	329,509,488	1,348,682,334	305,131,677	1,243,411,587
THB	34,012,910	139,214,841	50,071,197	204,040,127
	2,660,497,876	10,889,417,806	2,494,458,503	10,164,918,399
<i>Industry sector</i>				
Trade and Commerce	592,007,740	2,423,087,682	529,088,592	2,156,036,012
Service	434,356,498	1,777,821,146	393,814,829	1,604,795,428
Agriculture	408,888,325	1,673,579,914	437,528,199	1,782,927,411
Real-estate Loans	392,923,358	1,608,235,304	407,917,050	1,662,261,979
Home Improvement	299,207,703	1,224,657,128	258,272,787	1,052,461,607
Auto Loan	262,922,015	1,076,139,807	224,256,576	913,845,547
Transportation	196,159,240	802,879,768	178,264,118	726,426,281
Personal Loan	26,685,888	109,225,340	24,320,319	99,105,300
Manufacture	23,887,639	97,772,106	21,483,934	87,547,031
Construction	23,459,470	96,019,611	19,512,099	79,511,803
	2,660,497,876	10,889,417,806	2,494,458,503	10,164,918,399

The Company recognised the provisions for (reversal of) expected credit losses as follows:

	For the six-month period ended 30 June 2020 (Unaudited)		For the six-month period ended 30 June 2019 (Unaudited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Balances with other banks	11,042	45,007	(28,041)	(112,977)
Loans to customers	23,494,045	95,761,729	6,577,548	26,500,942
Refundable deposits	1,985	8,089	1,723	6,942
	23,507,072	95,814,825	6,551,230	26,394,907

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6. LOANS TO CUSTOMERS (continued)

The Company recognised the provisions for (reversal of) expected credit losses as follows (continued):

	<i>For the three-month period ended 30 June 2020 (Unaudited)</i>		<i>For the three-month period ended 30 June 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Balances with other banks	902	3,798	(650,668)	(2,607,220)
Loans to customers	16,934,461	69,103,580	3,165,965	12,834,137
Refundable deposits	1,381	5,634	4,691	18,832
	16,936,744	69,113,012	2,519,988	10,245,749

7. OTHER ASSETS

	<i>30 June 2020 (Unaudited)</i>		<i>31 December 2019 (Audited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Prepayments	5,145,980	21,062,496	8,584,349	34,981,222
Accounts receivable	224,349	918,260	17,613	71,773
Long-term investment	28,167	115,288	28,167	114,781
Deposits	91,245	373,466	86,686	353,245
Others	14,872	60,871	6,234	25,404
	5,504,613	22,530,381	8,723,049	35,546,425

Allowance for ECL on refundable deposits amounted to USD 10,810 as at 30 June 2020 (2019: USD 8,841).

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8. PROPERTY AND EQUIPMENT

	30 June 2020 (Unaudited)							
	Office furniture USD	Vehicles USD	Motorcycles USD	Computer and peripherals USD	Leasehold improvements USD	Communication equipment USD	Work in progress USD	Total USD
Cost								
As at 1 January 2020	4,871,906	2,917,904	354,528	7,171,805	2,297,202	417,766	86,160	18,117,271
Additions	296,067	137,490	6,150	330,530	22,655	-	1,265,125	2,058,017
Disposals/write-offs	(2,503)	(18,000)	-	(24,702)	-	-	-	(45,205)
Transfers	5,966	-	-	492,530	25,614	-	(524,110)	-
As at 30 June 2020	5,171,436	3,037,394	360,678	7,970,163	2,345,471	417,766	827,175	20,130,083
Accumulated depreciation								
As at 1 January 2020	3,796,688	2,039,937	346,727	5,164,683	1,622,584	240,365	-	13,210,984
Depreciation	226,951	154,045	1,283	553,790	98,343	24,850	-	1,059,262
Disposals/write-offs and others	(2,503)	(18,000)	-	(23,602)	-	-	-	(44,105)
As at 30 June 2020	4,021,136	2,175,982	348,010	5,694,871	1,720,927	265,215	-	14,226,141
Net book value								
As at 30 June 2020	1,150,300	861,412	12,668	2,275,292	624,544	152,551	827,175	5,903,942
KHR'000 equivalent (Note 2.2)	4,708,178	3,525,759	51,850	9,312,770	2,556,259	624,391	3,385,627	24,164,835

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8. PROPERTY AND EQUIPMENT (continued)

	31 December 2019 (Audited)							
	Office furniture USD	Vehicles USD	Motorcycles USD	Computer and peripherals USD	Leasehold improvements USD	Communication equipment USD	Work in progress USD	Total USD
Cost								
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	328,267	290,781	8,200	664,102	65,554	56,145	713,400	2,126,449
Disposals/write-offs	(136,279)	(143,396)	-	(86,013)	(75,741)	(36,732)	-	(478,161)
Transfers	200,489	5,832	-	306,043	168,385	97,900	(778,649)	-
As at 31 December 2019	4,871,906	2,917,904	354,528	7,171,805	2,297,202	417,766	86,160	18,117,271
Accumulated depreciation								
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	3,796,688	2,039,937	346,727	5,164,683	1,622,584	240,365	-	13,210,984
Net book value								
As at 31 December 2019	1,075,218	877,967	7,801	2,007,122	674,618	177,401	86,160	4,906,287
KHR'000 equivalent (Note 2.2)	4,381,513	3,577,716	31,789	8,179,022	2,749,068	722,909	351,103	19,993,120

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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.

	30 June 2020 (Unaudited)			
	Office space	ATM space	Total	
	USD	USD	USD	KHR'000 equivalent (Note 2.2)
Cost				
As at 1 January 2020	20,863,158	500,461	21,363,619	87,056,750
Additions	2,415,106	177,996	2,593,102	10,613,568
Expirations/terminations	(5,261)	(30,071)	(35,332)	(144,614)
Translation difference	-	-	-	384,544
As at 30 June 2020	23,273,003	648,386	23,921,389	97,910,248
Accumulated depreciation				
As at 1 January 2020	6,722,451	280,903	7,003,354	28,538,670
Additions	1,872,558	85,812	1,958,370	7,982,314
Expirations/terminations	(4,898)	-	(4,898)	(19,962)
Translation difference	-	-	-	159,270
As at 30 June 2020	8,590,111	366,715	8,956,826	36,660,292
Net book value	14,682,892	281,671	14,964,563	61,249,956
	31 December 2019 (Audited)			
	Office space	ATM space	Total	
	USD	USD	USD	KHR'000 equivalent (Note 2.2)
Cost				
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	20,863,158	500,461	21,363,619	87,056,750
Accumulated depreciation				
As at 1 January 2019	3,242,530	143,933	3,386,463	13,606,810
Additions	3,499,784	143,376	3,643,160	14,762,084
Expirations/terminations	(19,863)	(6,406)	(26,269)	(106,441)
Translation difference	-	-	-	276,217
As at 31 December 2019	6,722,451	280,903	7,003,354	28,538,670
Net book value	14,140,707	219,558	14,360,265	58,518,080

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10. INTANGIBLE ASSETS

	30 June 2020 (Unaudited)			
	Computer software USD	Core banking system license USD	Work in progress USD	Total USD
Cost				
As at 1 January 2020	1,121,820	2,515,752	-	3,637,572
Additions	60,172	354,835	-	415,007
As at 30 June 2020	1,181,992	2,870,587	-	4,052,579
Accumulated amortization				
As at 1 January 2020	720,398	1,417,288	-	2,137,686
Amortization	47,334	131,459	-	178,793
As at 30 June 2020	767,732	1,548,747	-	2,316,479
Net book value				
As at 30 June 2020	414,260	1,321,840	-	1,736,100
KHR'000 equivalent (Note 2.2)	1,695,566	5,410,291	-	7,105,857
	31 December 2019 (Audited)			
	Computer software USD	Core banking system license USD	Work in progress USD	Total USD
Cost				
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	1,121,820	2,515,752	-	3,637,572
Accumulated amortization				
As at 1 January 2019	632,988	1,180,128	-	1,813,116
Amortization	87,410	237,160	-	324,570
As at 31 December 2019	720,398	1,417,288	-	2,137,686
Net book value				
As at 31 December 2019	401,422	1,098,464	-	1,499,886
KHR'000 equivalent (Note 2.2)	1,635,794	4,476,241	-	6,112,035

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11. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Term deposits	60,203,648	246,413,531	54,036,810	220,200,001
Savings deposits	1,133,650	4,640,030	1,055,191	4,299,903
	61,337,298	251,053,561	55,092,001	224,499,904

12. DEPOSITS FROM CUSTOMERS

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Term deposits	1,772,629,582	7,255,372,879	1,630,980,291	6,646,244,685
Savings deposits	97,177,382	397,747,025	102,460,634	417,527,084
	1,869,806,964	7,653,119,904	1,733,440,925	7,063,771,769

Deposits from customers are further analysed as follows:

(a) By maturity

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Within 1 month	309,128,246	1,265,261,911	318,803,361	1,299,123,696
More than 1 month to 3 months	328,424,510	1,344,241,519	285,833,627	1,164,772,030
More than 3 months to 12 months	1,171,041,524	4,793,072,958	1,070,832,748	4,363,643,448
More than 12 months	61,212,684	250,543,516	57,971,189	236,232,595
	1,869,806,964	7,653,119,904	1,733,440,925	7,063,771,769

(b) By relationship

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Non-related parties	1,838,901,600	7,526,624,249	1,728,714,714	7,044,512,459
Related parties	30,905,364	126,495,655	4,726,211	19,259,310
	1,869,806,964	7,653,119,904	1,733,440,925	7,063,771,769

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13. BORROWINGS

All Company's borrowings are unsecured.

Borrowings are further analysed as follows:

(a) By relationship

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Non-related parties	763,885,149	3,126,581,915	704,296,717	2,870,009,122
Related parties	17,935,358	73,409,420	20,000,000	81,500,000
	781,820,507	3,199,991,335	724,296,717	2,951,509,122

(b) By maturity

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
On demand to 3 months	781,820,507	3,199,991,335	63,062,688	256,980,453
More than 3 months to 12 months	-	-	184,547,047	752,029,217
1 year to 5 year	-	-	476,686,982	1,942,499,452
Over 5 year	-	-	-	-
	781,820,507	3,199,991,335	724,296,717	2,951,509,122

As at 30 June 2020, the Company is in breach of the covenant on outstanding borrowings, bonds payable and subordinated debts amounting to USD 307,391,825, USD 30,535,399, and USD 50,800,097, respectively. The breach is with respect to asset quality which constituted an event of default and a ground for related liabilities, including those with cross-default clause, totalling USD 877,835,307 to become immediately due and payable. Out of the total defaulted liabilities, USD 13,496,170 was subsequently paid and a waiver has been obtained from the lenders of USD 55,992,466 as at 14 August 2020. The Company is working on securing the waiver for the remaining liabilities with breach in covenant. These liabilities, including those subsequently paid and those where waiver was obtained, were presented as part of the on demand to 3 months category since all waivers were received after the statement of financial position date (Notes 14 and 15).

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14. BONDS PAYABLE

In April 2020, the Company issued KHR 127.20 billion fixed rate guaranteed bonds due on 23 April 2023. The bonds are guaranteed by Credit Guarantee and Investment Facility, a trust fund of Asian Development Bank. The bonds are listed in 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 6.04 billion.

The movements in unamortized discount follow:

	30 June 2020 (Unaudited)	
	USD	KHR'000 equivalent (Note 2.2)
Discount on issuance of bonds	1,480,882	6,042,000
Amortization	(934,129)	(3,823,389)
Translation difference	94,319	-
Balance at end of period	641,072	2,218,611

15. SUBORDINATED DEBTS

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Subordinated debts (a)	50,800,097	207,924,798	61,166,666	249,254,165
Trust fund (b)	14,679,304	60,082,390	14,744,145	60,082,390
	65,479,401	268,007,188	75,910,811	309,336,555

(a) *Subordinated debts*

These are subordinated debts from foreign lenders who are non-related parties 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*

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
The Royal Government of Cambodia ("the RGC")	11,148,379	45,630,317	11,197,624	45,630,317
Cambodia Rural Development Foundation ("CRDF")	3,530,925	14,452,073	3,546,521	14,452,073
	14,679,304	60,082,390	14,744,145	60,082,390

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15. SUBORDINATED DEBTS (continued)

(b) *Trust fund* (continued)

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.

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

16. LEASE LIABILITIES

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Maturity analysis – contractual undiscounted cash flows				
Less than one year	4,577,310	18,734,930	3,996,737	16,286,703
One to five years	13,035,367	53,353,757	18,105,959	73,781,783
More than five years	1,270,922	5,201,884	4,447,523	18,123,656
Total undiscounted lease liabilities	18,883,599	77,290,571	26,550,219	108,192,142
Present value of lease liabilities				
Current	3,640,367	14,900,025	3,629,105	14,788,603
Non-current	10,316,017	42,223,455	9,543,623	38,890,264
	13,956,384	57,123,480	13,172,728	53,678,867

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16. LEASE LIABILITIES (continued)

Amounts recognized in statement of comprehensive income are as follows:

	<i>For the six-month period ended 30 June 2020 (Unaudited)</i>	<i>For the six-month period ended 30 June 2019 (Unaudited)</i>
	<i>USD</i>	<i>USD</i>
Expenses relating to short-term assets	252,292	175,617
Interest on lease liabilities	558,188	497,701
Depreciation of right-of-use assets	1,958,370	1,752,333
Total	2,768,850	2,425,651
KHR'000 equivalent (Note 2.2)	11,285,832	9,772,949
	<i>For the three-month period ended 30 June 2020 (Unaudited)</i>	<i>For the three-month period ended 30 June 2019 (Unaudited)</i>
	<i>USD</i>	<i>USD</i>
Expenses relating to short-term assets	132,828	107,489
Interest on lease liabilities	283,682	251,328
Depreciation of right-of-use assets	985,691	874,718
Total	1,402,201	1,233,535
KHR'000 equivalent (Note 2.2)	5,715,372	4,969,912

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.

17.1 Income tax expense

Applicable tax rates

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

Income tax expense comprises:

	<i>For the six-month period ended 30 June 2020 (Unaudited)</i>		<i>For the six-month period ended 30 June 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Current tax	13,389,508	54,575,635	13,214,550	53,241,422
Deferred tax	(4,002,579)	(16,314,512)	(1,350,403)	(5,440,776)
	9,386,929	38,261,123	11,864,147	47,800,646

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17. INCOME TAX (continued)

17.1 Income tax expense (continued)

	For the three-month period ended 30 June 2020 (Unaudited)		For the three-month period ended 30 June 2019 (Unaudited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Current tax	5,909,328	24,176,181	7,204,821	29,166,448
Deferred tax	(2,685,394)	(10,961,470)	(803,095)	(3,248,258)
	3,223,934	13,214,711	6,401,726	25,918,190

17.2 Income tax payable

Movements of income tax payable follow:

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Balance at beginning of period/year	23,414,889	95,415,673	20,538,620	82,524,175
Current tax	13,389,508	54,575,635	26,938,988	109,776,376
Income tax paid	(25,099,943)	(102,307,369)	(24,062,719)	(97,502,137)
Foreign exchange difference	-	222,391	-	617,259
Balance at end of period/year	11,704,454	47,906,330	23,414,889	95,415,673

The reconciliation of income tax expense shown in statement of comprehensive income is as follows:

	For the six-month period ended 30 June 2020 (Unaudited)		For the six-month period ended 30 June 2019 (Unaudited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Profit before income tax	46,760,442	190,595,559	59,113,103	238,166,688
Income tax expense at applicable tax rate of 20%	9,352,088	38,119,111	11,822,621	47,633,340
Non-deductible expenses	34,841	142,012	41,526	167,306
Effective income tax	9,386,929	38,261,123	11,864,147	47,800,646

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17. **INCOME TAX** (continued)

17.2 **Income tax payable** (continued)

	For the three-month period ended 30 June 2020 (Unaudited)		For the three-month period ended 30 June 2019 (Unaudited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Profit before income tax	16,115,214	66,053,356	32,032,322	129,681,083
Income tax expense at applicable tax rate of 20%	3,223,043	13,210,671	6,406,464	25,936,217
Non-deductible expenses	891	4,040	9,194	37,784
Deferred tax assets not recognised in prior years	-	-	(13,932)	(55,811)
Effective income tax	3,223,934	13,214,711	6,401,726	25,918,190

17.3 **Deferred tax assets**

Details of deferred income tax assets (liabilities) recognized during the period/year follow:

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Unamortized loan fees	5,381,545	22,026,664	5,433,499	22,141,508
Allowance for ECLs	7,537,898	30,852,617	3,581,823	14,595,928
Unused annual leave	533,596	2,184,008	326,697	1,331,290
Provision for employee benefits	102,443	419,299	14,912	60,766
Accrued interest receivable	90,331	369,725	(4,370)	(17,808)
Right-of-use assets and lease liabilities	31,373	128,410	68,058	277,336
Property and equipment	(122,133)	(499,890)	(145,432)	(592,635)
Foreign exchange differences	(298,919)	(1,223,477)	(77,014)	(313,830)
Deferred tax assets – net	13,256,134	54,257,356	9,198,173	37,482,555

18. **PROVISION FOR EMPLOYEE BENEFITS**

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Balance as at beginning of period/year	74,562	303,840	1,266,404	5,088,411
Additions during the period/year	1,652,358	6,735,011	2,990,322	12,116,785
Payments during the period/year	(1,214,704)	(4,951,134)	(4,182,164)	(16,946,129)
Translation difference	-	8,783	-	44,773
Balance at end of period/year	512,216	2,096,500	74,562	303,840

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19. OTHER LIABILITIES

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Accrued interest payable	59,419,104	243,202,393	57,767,946	235,404,380
Accrued bonus	5,072,527	20,761,853	4,181	17,038
Accruals and other payables	3,098,895	12,683,777	1,790,518	7,296,361
Withholding tax payable	1,541,946	6,311,185	515,945	2,102,476
Tax on salary	135,514	554,659	1,413,982	5,761,977
Others	1,345,086	5,505,437	1,626,728	6,628,916
	70,613,072	289,019,304	63,119,300	257,211,148

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:

	30 June 2020 (Unaudited)			31 December 2019 (Audited)		
	USD	KHR'000 equivalent (Note 2.2)	%	USD	KHR'000 equivalent (Note 2.2)	%
KB Bank	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
	230,000,000	920,000,000	100.00	230,000,000	920,000,000	100.00

Abbreviation:

KB Bank: 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 58.00 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.

In December 2019, Kookmin Bank ("KB"), a subsidiary of KB Financial Group, agreed to buy a 70.00% 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.

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20. EQUITY AND RESERVES (continued)

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 30 June 2020, this non-distributable reserve amounted to USD 3,122,642 (31 December 2019: USD 3,093,332).

Regulatory reserve

The movements in regulatory reserve are as follows:

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.1)	USD	KHR'000 equivalent (Note 2.1)
Balance as at beginning of period/year	4,108,924	16,649,360	299,009	1,209,491
Transfer to regulatory reserve	(4,108,924)	(16,817,826)	3,809,915	15,437,776
Translation difference	-	168,466	-	2,093
Balance as at end of period/year	-	-	4,108,924	16,649,360

21. INTEREST INCOME

	For the six-month period ended 30 June 2020 (Unaudited)		For the six-month period ended 30 June 2019 (Unaudited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Individual loans	206,952,899	843,540,015	175,457,967	706,920,149
Group loans	49,002	199,732	18,542	74,706
Balances with other banks	158,385	645,578	443,180	1,785,572
	207,160,286	844,385,325	175,919,689	708,780,427
	For the three-month period ended 30 June 2020 (Unaudited)		For the three-month period ended 30 June 2019 (Unaudited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Individual loans	102,883,201	420,600,765	91,394,738	370,162,855
Group loans	22,794	93,223	7,901	32,078
Balances with other banks	74,932	306,425	210,708	854,288
	102,980,927	421,000,413	91,613,347	371,049,221

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22. INTEREST EXPENSE

	<i>For the six-month period ended 30 June 2020 (Unaudited)</i>		<i>For the six-month period ended 30 June 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Deposits from customers	61,342,919	250,033,737	47,771,762	192,472,429
Borrowings	29,537,283	120,393,966	25,806,650	103,974,993
Subordinated debts	3,422,252	13,949,099	2,882,993	11,615,579
Deposits from banks and other financial institutions	3,030,611	12,352,772	1,597,736	6,437,278
Bonds payable	472,447	1,925,694	-	-
Lease liabilities	558,188	2,275,175	497,701	2,005,239
	98,363,700	400,930,443	78,556,842	316,505,518
	<i>For the three-month period ended 30 June 2020 (Unaudited)</i>		<i>For the three-month period ended 30 June 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Deposits from customers	32,033,235	130,919,184	25,345,765	102,633,884
Borrowings	14,896,966	60,895,718	13,273,544	53,767,370
Subordinated debts	1,620,142	6,625,324	1,389,521	5,632,730
Deposits from banks and other financial institutions	661,139	2,723,235	867,898	3,513,548
Bonds payable	472,447	1,925,694	-	-
Lease liabilities	283,682	1,159,582	251,328	1,018,269
	49,967,611	204,248,737	41,128,056	166,565,801

23. NET FEES AND COMMISSION INCOME

	<i>For the six-month period ended 30 June 2020 (Unaudited)</i>		<i>For the six-month period ended 30 June 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Instalment fee income	2,030,091	8,274,651	-	-
Local remittance services income	439,742	1,792,388	457,518	1,843,340
Fees and commission income	2,469,833	10,067,039	457,518	1,843,340
Bank charges on borrowings	(62,286)	(253,878)	(78,788)	(317,437)
Net fees and commission	2,407,547	9,813,161	378,730	1,525,903

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23. NET FEES AND COMMISSION INCOME (continued)

	<i>For the three-month period ended 30 June 2020 (Unaudited)</i>		<i>For the three-month period ended 30 June 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Instalment fee income	309,651	1,282,782	-	-
Local remittance services income	211,204	863,610	221,419	897,527
Fees and commission income	520,855	2,146,392	221,419	897,527
Bank charges on borrowings	(30,040)	(122,830)	(26,848)	(109,365)
Net fees and commission	490,815	2,023,562	194,571	788,162

24. OTHER INCOME

	<i>For the six-month period ended 30 June 2020 (Unaudited)</i>		<i>For the six-month period ended 30 June 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Penalty from loans	2,265,557	9,234,410	4,557,133	18,360,689
Recovery of written-off accounts	1,765,581	7,196,508	2,028,768	8,173,906
Others	570,992	2,327,365	424,810	1,711,559
	4,602,130	18,758,283	7,010,711	28,246,154
	<i>For the three-month period ended 30 June 2020 (Unaudited)</i>		<i>For the three-month period ended 30 June 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Penalty from loans	973,450	3,983,287	2,085,172	8,458,013
Recovery of written-off accounts	540,115	2,216,214	893,763	3,627,076
Others	272,838	1,115,666	170,073	691,083
	1,786,403	7,315,167	3,149,008	12,776,172

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25. PERSONNEL EXPENSES

	<i>For the six-month period ended 30 June 2020 (Unaudited)</i>		<i>For the six-month period ended 30 June 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Salaries and wages	26,185,929	106,733,847	21,875,390	88,135,946
Bonuses and incentives	5,072,527	20,675,619	5,060,946	20,390,551
Employee benefits	1,652,358	6,735,011	1,171,549	4,720,171
Staff uniform	113,178	461,314	248,870	1,002,697
Medical expenses	5,854	23,861	9,319	37,546
Other employee benefits	1,666,498	6,792,646	1,373,985	5,535,787
	34,696,344	141,422,298	29,740,059	119,822,698
	<i>For the three-month period ended 30 June 2020 (Unaudited)</i>		<i>For the three-month period ended 30 June 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Salaries and wages	13,969,177	57,084,968	11,993,922	48,550,785
Bonuses and incentives	299,878	1,279,573	1,435,031	5,865,136
Employee benefits	770,282	3,150,254	708,905	2,866,819
Staff uniform	53,871	220,290	15,710	68,658
Medical expenses	2,985	12,201	5,330	21,566
Other employee benefits	670,111	2,743,329	528,753	2,149,788
	15,766,304	64,490,615	14,687,651	59,522,752

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26. GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the six-month period ended 30 June 2020 (Unaudited)</i>		<i>For the six-month period ended 30 June 2019 (Unaudited)</i>		<i>For the three-month period ended 30 June 2020 (Unaudited)</i>		<i>For the three-month period ended 30 June 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Fuel costs	1,915,887	7,809,155	1,544,397	6,222,376	968,743	3,959,962	798,756	3,235,338
Printing and stationary	732,960	2,987,545	456,903	1,840,862	412,679	1,685,923	236,680	958,649
Transportation	646,767	2,636,222	495,857	1,997,808	356,392	1,456,138	257,302	1,042,155
License fees	638,988	2,604,515	446,081	1,797,260	310,626	1,270,052	(1,997)	2,260
Utilities	628,102	2,560,144	586,641	2,363,577	336,956	1,376,927	318,853	1,290,818
Maintenance	533,964	2,176,437	404,916	1,631,407	274,134	1,120,488	200,431	812,240
Professional fees	441,464	1,799,407	214,686	864,970	263,087	1,074,483	91,280	370,606
Communications	404,610	1,649,190	352,498	1,420,214	202,763	828,884	179,737	728,133
Marketing and promotions	361,640	1,474,045	254,855	1,026,811	206,590	843,922	121,171	491,273
Office supplies	326,923	1,332,538	228,173	919,309	31,320	131,207	63,847	261,019
Rental	252,292	1,028,344	175,617	707,561	132,828	542,840	107,489	434,640
Other taxes	224,577	915,376	169,887	684,475	43,416	179,138	7,835	35,295
Stamp and registration	207,223	844,641	24,062	96,946	206,913	843,381	3,554	14,791
Donation	132,548	540,266	51,322	206,776	75,291	307,574	48,829	196,789
Travelling	129,617	528,319	191,560	771,795	22,696	93,792	93,860	380,409
Bank charges	86,093	350,915	273,102	1,100,328	10,724	44,615	94,606	385,273
Training	43,392	176,866	77,441	312,010	997	4,573	35,764	145,052
Other expenses	157,284	641,090	159,241	641,582	64,709	264,864	71,198	288,882
	7,864,331	32,055,015	6,107,239	24,606,067	3,920,864	16,028,763	2,729,195	11,073,622

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27. DEPRECIATION AND AMORTIZATION

	<i>For the six-month period ended 30 June 2020 (Unaudited)</i>		<i>For the six-month period ended 30 June 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Property and equipment	1,059,262	4,317,552	1,066,149	4,295,514
Intangible assets	178,793	728,761	151,977	612,315
Right-of-use assets	1,958,370	7,982,314	1,752,333	7,060,149
	3,196,425	13,028,627	2,970,459	11,967,978
	<i>For the three-month period ended 30 June 2020 (Unaudited)</i>		<i>For the three-month period ended 30 June 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Property and equipment	538,520	2,201,257	529,891	2,147,264
Intangible assets	91,637	374,558	76,409	309,590
Right-of-use assets	985,691	4,029,346	874,718	3,544,424
	1,615,848	6,605,161	1,481,018	6,001,278

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28. NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	<i>For the six-month period ended 30 June 2020 (Unaudited)</i>		<i>For the six-month period ended 30 June 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Profit before income tax	46,760,442	190,595,559	59,113,103	238,166,688
<i>Adjustments for:</i>				
Provisions for ECLs	23,507,072	95,814,825	6,551,230	26,394,907
Depreciation and amortization	3,196,425	13,028,627	2,970,459	11,967,978
Gain on disposal of property and equipment	(4,630)	(18,872)	(10,315)	(41,557)
Employee benefits expense	1,652,358	6,735,011	1,171,549	4,720,171
Income tax paid	(25,099,943)	(102,307,369)	(18,061,604)	(73,601,036)
Employee benefits paid	(1,214,704)	(4,951,134)	(2,437,055)	(9,818,895)
Cash generated by operating activities before changes in net operating assets and liabilities	48,797,020	198,896,647	49,297,367	197,788,256
<i>Decrease (increase) in operating assets</i>				
Balances with the NBC	(13,232,825)	(53,936,995)	(29,381,184)	(118,376,791)
Loans to customers	(166,039,373)	(676,776,486)	(414,309,425)	(1,669,252,673)
Other assets	3,216,451	13,110,254	287,645	1,158,922
<i>Increase in operating liabilities</i>				
Deposits from banks and other financial institutions	6,245,297	25,455,831	16,257,866	65,502,942
Deposits from customers	136,366,039	555,827,975	282,077,718	1,136,491,126
Other liabilities	7,493,772	30,544,615	22,171,537	89,329,123
Net cash provided by (used in) operating activities	22,846,381	93,121,841	(73,598,476)	(297,359,095)

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29. RELATED PARTY TRANSACTIONS AND BALANCES

Significant transactions with related parties during the period were as follows:

Related party	Transaction	For the six-month period ended 30 June 2020 (Unaudited)		For the six-month period ended 30 June 2019 (Unaudited)	
		USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Board of Directors	Fees and related expenses	165,510	674,619	163,128	657,243
	Interest expense	63,125	257,296	57,901	233,283
Shareholders	Interest expense	859,181	3,502,022	540,458	2,177,507
	Fees and commissions on loans	46,050	187,700	23,025	92,768
Key management personnel	Salaries and employee benefits	1,747,797	7,124,021	1,540,615	6,207,138
	Interest expense	632,261	2,577,096	344,827	1,389,308
	Employee benefits expense	91,048	371,112	73,152	294,729

Related party	Transaction	For the three-month period ended 30 June 2020 (Unaudited)		For the three-month period ended 30 June 2019 (Unaudited)	
		USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Board of Directors	Fees and related expenses	83,946	343,143	81,564	330,498
	Interest expense	13,664	56,286	56,852	229,081
Shareholders	Interest expense	476,718	1,947,692	318,785	1,289,485
	Fees and commissions on loans	23,025	94,126	12,710	51,446
Key management personnel	Salaries and employee benefits	1,048,337	4,281,416	813,262	3,293,362
	Interest expense	481,716	1,965,283	158,574	643,178
	Employee benefits expense	51,302	209,584	42,071	170,219

Outstanding balances with related parties were as follows:

Related party	Account	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
		USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Directors and key management	Deposit	30,905,364	126,495,655	4,726,211	19,259,310
	Loan	544,444	2,228,409	-	-
BEA	Borrowing	18,000,000	73,674,000	20,000,000	81,500,000
PSCo	Deposit	3,473,921	14,218,759	1,007,102	4,103,941

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30. 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 value 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 value of the financial instruments are:

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

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

- *Loans to customers*

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

- *Deposits and borrowings*

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

- *Other assets and liabilities*

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

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30. 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 assets which are not measured at fair value but for which fair value is disclosed.

	30 June 2020				
	Carrying value	Fair value			
		Total	Quoted	Significant	Significant
			prices in	observable	unobservable
	active market	inputs	inputs		
	Level 1	Level 2	Level 3		
USD'000	USD'000	USD'000	USD'000	USD'000	
Financial assets for which fair values are disclosed					
Loans and receivables	2,610,771	2,749,185	-	-	2,749,185
KHR'000,000 equivalent (Note 2.2)	10,685,885	11,252,414	-	-	11,252,414
Financial liabilities for which fair values are disclosed					
Borrowings	781,821	784,815	-	-	784,815
Bonds payable	30,535	31,611	-	-	31,611
Subordinated debts	65,479	66,915	-	-	66,915
	877,835	883,341	-	-	883,341
KHR'000,000 equivalent (Note 2.2)	3,592,980	3,615,515	-	-	3,615,515

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

Fair value hierarchy (continued)

	31 December 2019				
	Carrying value	Fair value			
		Total	Quoted prices in active market Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
	USD'000	USD'000	USD'000	USD'000	USD'000
Financial assets for which fair values are disclosed					
Loans and receivables	2,468,226	2,578,281	-	-	2,578,281
KHR'000,000 equivalent (Note 2.2)	10,058,019	10,506,495	-	-	10,506,495
Financial liabilities for which fair values are disclosed					
Borrowings	724,297	737,178	-	-	737,178
Subordinated debts	75,911	77,349	-	-	77,349
	800,208	814,527	-	-	814,527
KHR'000,000 equivalent (Note 2.2)	3,260,846	3,319,197	-	-	3,319,197

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

31. 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.

32. SUBSEQUENT EVENTS

Other than as disclosed elsewhere in these interim condensed financial statements, at the date of this report, there were no other events which occurred subsequent to 30 June 2020 that had significant impact on the statement of financial position of the Company as at 30 June 2020, and its financial performance for the six-month period then ended.