

MICROFINANCE INSTITUTION

INTEAN POALROATH RONGROEURNG LTD.



Helping Rural People



ANNUAL REPORT 2015

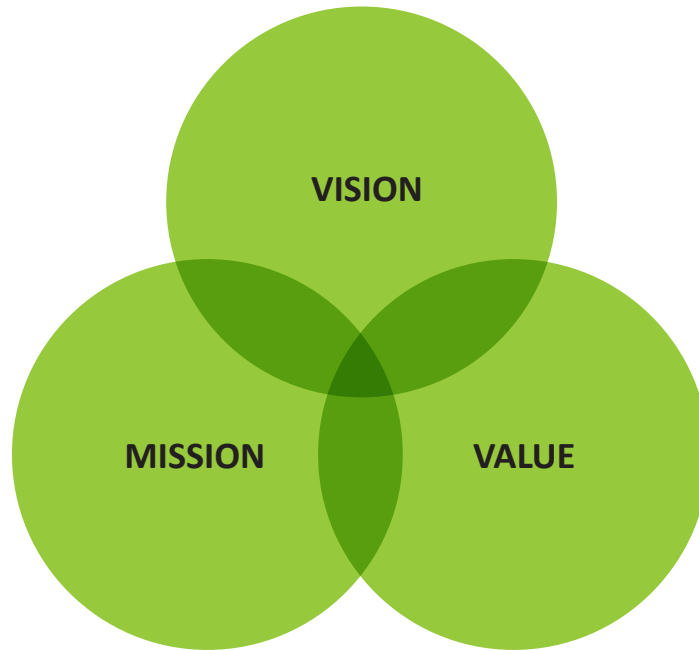
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ACRONYMS AND ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
CEA	Cambodian Economic Association
CDRI	Cambodia Development Research Institution
CO	Credit Officer
Dep.	Department
HOA	Head of Internal Audit
IPR	Intean Poalroath Rongroeurng Ltd
IT	Information Technology
LMDF	Luxembourg Microfinance and Development Fund
MGT	Management
NBC	National Bank of Cambodia
OA	Operational Auditor
ROA	Return on Asset
ROE	Return on Equity
SPM	Social Performance Management

COMPANY VISION, MISSION & VALUES



OUR VISION

To be the leading Cambodian Microfinance Institution serving the agriculture sector.

OUR MISSION

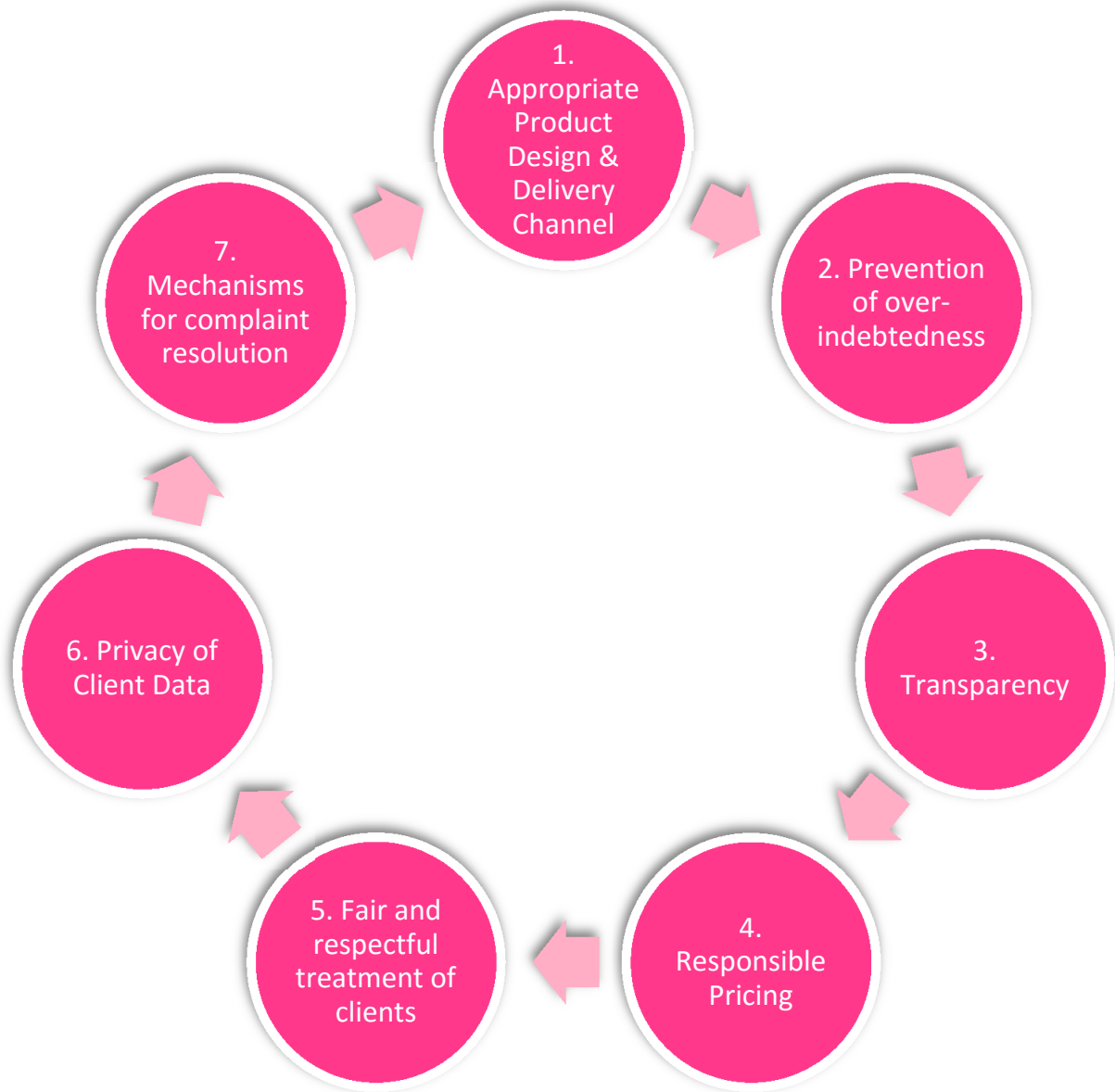
To provide convenient financial services adapted to agriculture-related businesses in order to improve the economic conditions of farmers while sustaining the institution's profitable growth.

OUR CORE VALUES

- Integrity & Honesty
- Accountability
- Teamwork
- Transparency

CLIENTS PROTECTION PRINCIPLES

IPR endorsed with Smart Campaign in 2011 in compliance with the 7 Principles of Clients Protection.



AWARDS

In 2015, IPR was recognized as The **Outstanding Financial Performance MFI** awarded by IDG ASEAN among other key microfinance players and banks.



2015 COMPANY PERFORMANCE HIGHLIGHTS

Indicators	2015	
Net Profit	\$ 666,503	Net profile decreased 25.8% compared to 2014 due to the decrease of portfolio yield and the increase of provision expense, funding expense, yet the Foreign Exchange Losses.
Return on Assets	6.1%	Every \$100 of institution's asset has generated \$6.1 in profit, compared with \$10.2 in 2014. ROA 6.1% is still the most efficient MFI in Cambodia.
Return on Equity	9.6%	The return on equity was decreased 5.0% compare to 2014 (14.6%).
Total Assets	32.5% up	The total asset increased from \$ 9,434,240 in 2014 to 12,498,084 in 2015.
Loan Portfolio	\$ 9,389,015	Outstanding loan was \$ 9,389,015, increased by 23.8% compared with 2014.
Agriculture Loan	96%	Most of the outstanding loans are in agriculture.
Outstanding Clients	4,629 Clients	Outstanding clients increased by 5% compared to 2014.
Number of Women Borrower	89.8%	The number of women borrowers increased by 4.8% in 2015 compare to 2014.
Leverage	0.7	IPR's total debt was 0.7 times to its equity.
Write-Off Ratio	0.3%	Slightly decreased from 0.52% in 2014.
Portfolio At Risk	1.2%	Loans overdue by more than 30 days increased 0.65% compared to 2014.



MESSAGE

**From the Chairman of the Board of Directors
Mr. Oknha PHOU Puy
Director and Chairman**

Cambodia's GDP continues to enjoy robust growth, albeit at a slightly slower pace. Real growth in 2015 is estimated to have reached 7% versus 7.1% in 2014. The garment sector, together with construction and services, are the main drivers of the country economy. Growth is expected to remain strong in 2016, as recovering internal demand and dynamic garment exports offset stagnation in agriculture and softer growth in tourism.

The strong economic growth has contributed to a positive impact on IPR in particular, both the quality and portfolio through new debt investments into the Company from key funding institutions namely Hivos-Triodos Funds and Triple Jump B.V. However, considering the development, IPR is still an organic MFI. IPR's 2015 gross loan portfolio reached USD 9.38 million while the number of borrowed households increased to 4,630, about 24% and 5% growth respectively, compared with 2014 ended figures, which were much lower than the whole sector's. Funding is still the key challenge of the Company.

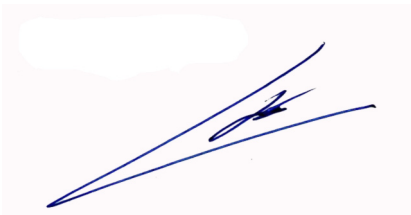
Even the growth was slower than the sectorwide, the Company is an efficient microfinance institution among the most efficient players in the market. IPR performed a sound result at 6.1% in 2015 of the ROA; whilst profitability was a bit lower comparing to the result in 2014 due to some reasons. Such a step down of Company's return was due to a few factors: the decrease of portfolio yield resulting from the lowering of interest charge for borrowed clients, the slightly increase of provision of particular branch and funding expenses and the exchange rate fluctuation of foreign currencies.

Other than the attention to operations expansion, IPR has made very strong efforts to build its human capital following its capacity building program and to upgrade its internal infrastructure through regularly review and update the policies, procedures, guidelines and core MIS system. Through all efforts for internal improvement, hopefully the Company are more attractive to more potential investors and so that to increase more partnerships for the Company's development and growth with more outreach to rural people.

MESSAGE CHAIRMAN

On behalf of the Board of Directors, I would like to extend my profound thanks our customers and investors for their confidence and support during the year 2015 and, above all, our great staff at all levels for their hard work, loyalty, tremendous efforts and on-going dedication to the IPR family.

Sincerely Yours,



Oknha PHOU Puy
Chairman of the Board of Directors



MESSAGE

From the Chief Executive Officer
HORT Bunsong

Having noticed of postponing the issuance of MFI license to new microfinance operators in 2014 by the central bank, 2015 was remarked with significant change. More microfinance operators were granted MFI licenses during the year. This should be a positive sign in mobilizing of unofficial credit operators to be under common regulation if the bank has sufficient resources to manage fairly and that will stabilize the sector development and growth for the long run. 2015 was also remarked of a notice by weather forecasting authority regarding the upcoming draught in 2016 across the country. The notice came to attention of more microfinance players who lends to rural farmers as may result in increasing defaulting portfolio during the following year 2016.

Regarding the microfinance sector growth, through information exchange among players who shared data to Cambodia Microfinance Association, the whole sectorwide has continued its significant growth reflected by outreach and portfolio. The portfolio in this sector alone, which included ACLEDA bank's micro loans and a few leasing companies, reached USD 4,001 million with the outreach of 3.05 million households by the end of 2015.

Turning aside from the sectorwide development, internally during 2015 the Company INTEAN POALROATH RONGROEURNG, IPR, was remarked with key development, challenges and changes as the following:

Shareholding Structure: IPR's shareholding structure turned to only one individual after the minority shareholder IPR (HK) Limited exited the Company through selling back its entire stake, under an official approval of the central bank on 31st August 2015, to the local shareholder Oknha PHOU Puy. The exit of IPR (HK) was followed its investment timeline. IPR is planning to seek more equity investors to jointly grow further to the upcoming phase.

Challenges and Efficiency: The remaining challenges, among the three as illustrated for two consecutive years already, funding and partnership in agriculture value chain for differentiation strategy purpose are still outstanding. A business strategy in partnership in agriculture value chain was found difficult due to the short of funding and is not in priority in short-term any longer. Currently a new key challenge for IPR is competition, which became tougher in the penetrated markets. Competition in IPR's penetrated markets in particular became tough due to the entrant of more new operators and growth of key dominant players. However, even toughing with competition, IPR is still a more efficient MFI among microfinance players in Cambodia in terms of return on assets.

MESSAGE FROM THE CEO

Expansion: By comparing with the sectorwide growth, IPR remains a slower microfinance operator; continuing its organic way. In the purpose of increasing its outreach, IPR opened two new district branches, Phnom Kravanh and Bavel under main branch Pursat and Bat Dambang respectively. The total district branches as of December 2015 were 8 offices and therefore increased the total operational branches to 13 offices. Through its existing branches network, IPR continued its organic growth. Its portfolio growth was about 24%, versus 14% in 2014, moved up from USD 7.58 million to USD 9.39 million, still much slower than the sector growth at approximately 40%, versus 45% in 2014, while the number of borrowed clients was increased at a remaining 5%, the same with 2014, reached 4,630, also lower than the sector growth of about 12% in 2015, the same with 2014. The loan portfolio quality, considering the PAR 30, was at 1.2% versus the sectorwide was closed to 0.8%, slightly increased from 2014. However, the written-off loan to gross loan portfolio was 0.3%, about 2 folds less than 2014.

Social Performance: 96% of the total loan portfolio was spread to rural farmers in agriculture sector in particular while 90% of the total borrowed clients are women. In other specific indicator, client net asset development, of social performance monitoring, IPR started its tracking for the first time in 2015 and is able to continuously track it from 2016 onward.

Part of promoting social performance, the board also allowed the management renewing the engagement MOU with a micro-insurance provider, under clients' optional, for another term in the same provincial branch location to further measure prior to any full cooperation across the whole company's operational locations.

Even being faced with some challenges mentioned above, with our existing robust infrastructure and resources I am confident, under the support of governing board and shareholders, to promote the Company IPR growing to larger scale in its niche market. I take this opportunity to sincere thanks staff at all levels, the board of directors, shareholders and investors for the effort, guidance, confidence and support to push the Company to this stage. I wish you all to continue your effort and cooperation to grow IPR further in a more challenging environment.

Sincerely Yours,



HORT Bunsong
Chief Executive Officer

COMPANY HISTORY

Intean Poalroath Rongroeurng Ltd., (meaning Credit, Population and Prosperity in Khmer) was founded by two private Cambodian individuals, Mr. Oknha Phou Puy and Ms. Hao Simorn, in 2003. It was founded as a credit unit of the Federation of Cambodian Rice Millers Associations to alleviate the capital constraint of rice mill entrepreneurs who lacked access to credit to expand their production.

In January 2005, the Unit was registered with the National Bank of Cambodia as a rural credit operator. In July in the same year, the Unit was transformed into a private limited liability company and was officially registered with the Ministry of Commerce under the name “Intean Poalroath Rongroeurng Ltd”, IPR, with the registration number Co. 7896/05 P. The Company furthermore received a microfinance institution license, MF 014, from the National Bank of Cambodia in August 2005.

As the funding situation of rice mills had gradually improved over time, IPR turned its focus to small farmers after its registration and MFI license. In 2008, IPR’s MFI license was renewed by the NBC as a permanent one.

In 2010, the Company’s ownership underwent a significant change. Ms. Hao Simorn transferred the entirety of her shares in IPR with full rights to Mr. Oknha Phou Puy in July 2010. On December 31st 2010, Leopard Cambodia Fund, Cambodia’s first private equity fund operated by the international financial group Leopard Capital L.P., took a minority stake of 33.65% in IPR through the Hong Kong based company IPR (HK) Limited.

In 2015, following its investment plan, IPR (HK) Limited exited IPR through selling back its entire stake to Oknha Phou Puy under official approval from the central bank on August 31, 2015. The Company’s entire shares ownership is, from August 2015, owned by Oknha Phou Puy.

MFI License from National Bank of Cambodia
Business License from Ministry of Commerce
Branch Network
Directory
Organizational Chart
Branch Structure
Board of Directors
Senior Management
Shareholder and Lenders
Clientele and Products
Client Story

COMPANY

MFI LICENSE FROM NATIONAL BANK OF CAMBODIA



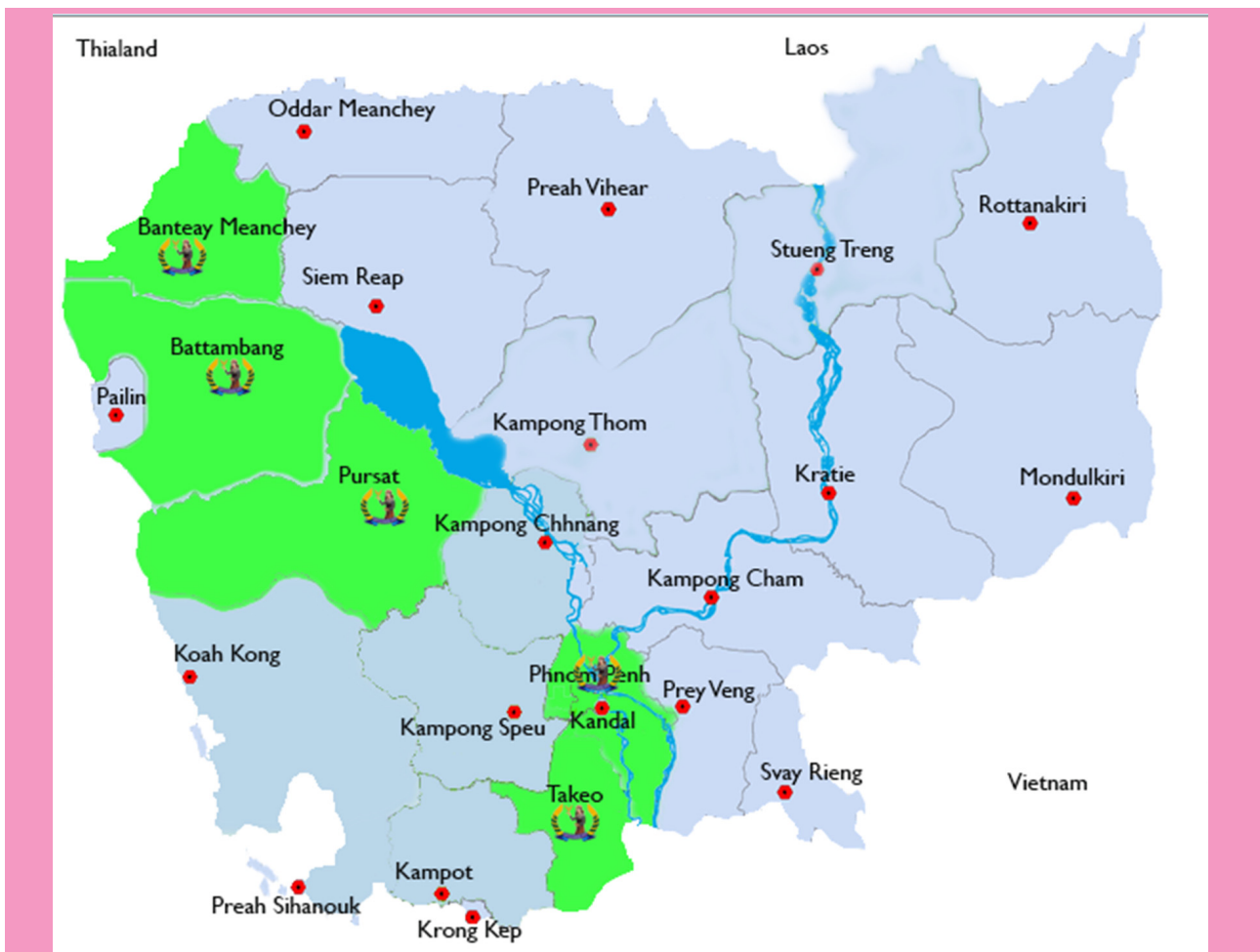
BUSINESS LICENSE FROM MINISTRY OF COMMERCE



BRANCH NETWORK

INTEAN POALROATH RONGROEURNG LTD., (IPR), is headquartered in the capital city of Phnom Penh. Its client operations take place however essentially at its five main branch offices in four provinces: Banteay Meanchey, Pursat, Takeo and two in Bat Dambang. Some main branches operate district branches to be even closer to the clients.

In 2015, IPR opened two more district branches in main branch offices; one is in Bat Dambang and other one in Pursat province. The total district branches as of December 2015 were 8.



DIRECTORY

Branch	Address
Head Office: Phnom Penh	<p> #779A, Kampuchea Kraom Blvd Sagkat Tuek Laak 1, Khan Tuol Kouk, Phnom Penh, Cambodia.</p> <p> (+855) 023 990 237/023 636 412 5</p> <p> info@iprmfi.com</p> <p> www.iprmfi.com</p>
Main Branch: Takaev Province	<p> Kbal Pou village, Sambuor Commune, Treang District, Takeo Province.</p> <p> (+855) 032 63 64 127/ 070 999 236</p> <p> bm002@iprmfi.com</p>
District Branch: Kaoh Andaet	<p> Romenh Khang Cheung Village, Romenh Commune, Kaoh Andaet District, Takeo Province.</p> <p> (+855) 070 999 258</p> <p> spt002-01@iprmfi.com</p>
District Branch: Borei Cholsar	<p> Ta Ros Village, Doung Khpos Commune, Borei Cholsar District, Takeo Province.</p> <p> (+855) 070 999 251</p> <p> spt002-02@iprmfi.com</p>
District Branch: Prey Kabbas	<p> Phsar Chreae Village, Angkanh Commune, Prey Kabbas District, Takeo Province.</p> <p> (+855) 070 999 248</p> <p> spt002-03@iprmfi.com</p>
Main Branch: Phnum Proek	<p> Phnom Touch Village, Pech Chenda Commune, Phnum Proek District, Battambang Province</p> <p> (+855) 053 63 63 734/ 070 999 350</p> <p> bm003@iprmfi.com</p>
District Branch: Sampov Lun	<p> Ta Sda Village, Ta Sda Commune, Sampov Loun District, Battambang Province.</p> <p> (+855) 070 999 343</p> <p> spt003-01@iprmfi.com</p>
District Branch: Kamrieng	<p> Svay Thum Village, Boeng Reang Commune, Kamrieng District, Battambang Province.</p> <p> (+855) 070 999 349</p> <p> spt003-02@iprmfi.com</p>

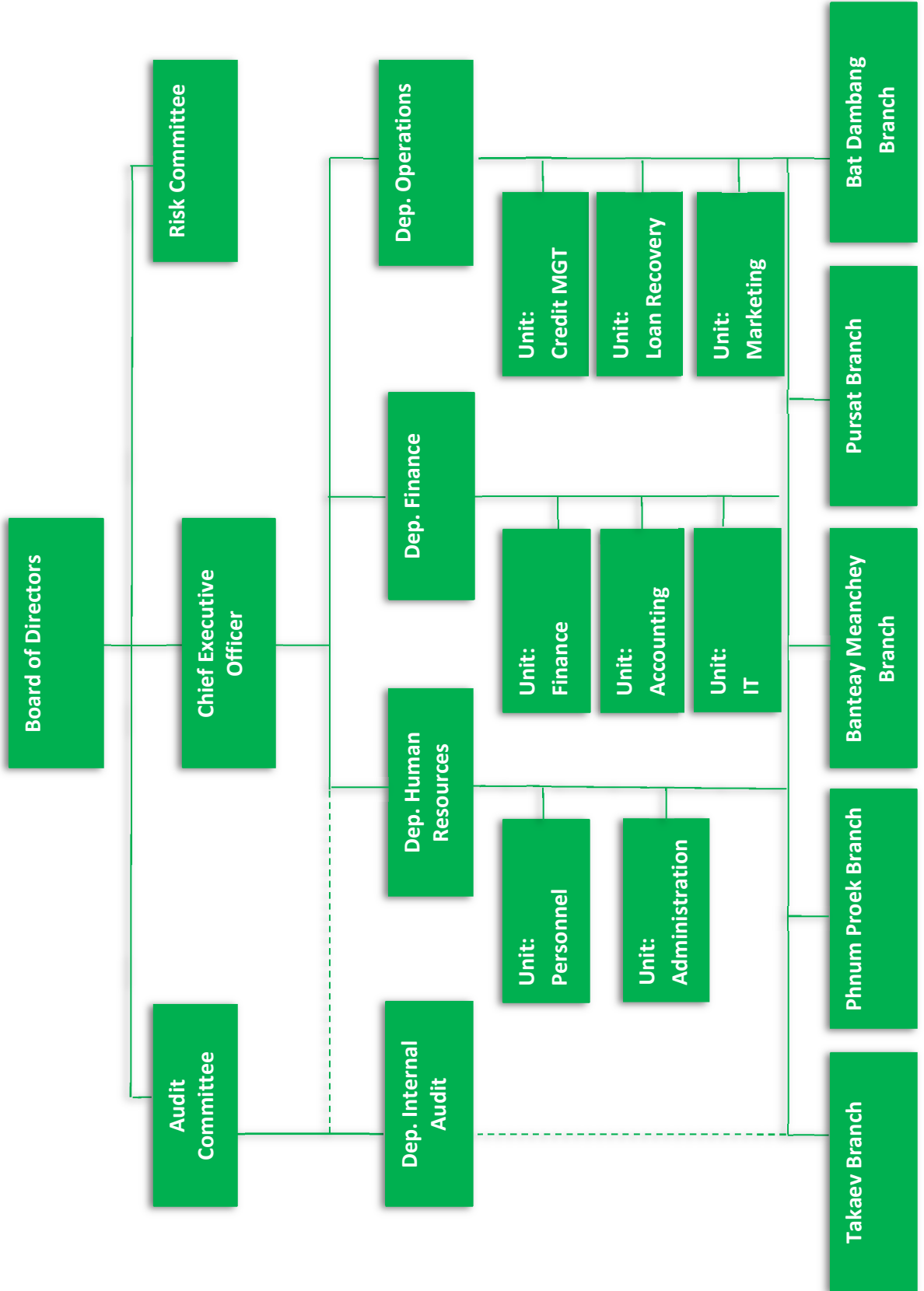
DIRECTORY

Main Branch: Banteay Meanchey Province	 Ou Snguat Village, Banteay Neang Commune, Mongkol Borei District, Banteay Meanchey Province  (+855) 054 63 85 855/ 070 999 473  bm004@iprmfi.com
Main Branch: Pursat Province	 Khnach Romeas Village, Boeng Khnar Commune, Bakan District, Pursat Province  (+855) 052 6 333 853/ 070 999 498  bm005@iprmfi.com
District Branch: Phnum Kravanh	 Bat Rumduol Village, Phteah Rung Commune, Phnum Kravanh District, Pursat Province.  (+855) 070 999 489  bt005-01@iprmfi.com
Main Branch: Bat Dambang Province	 Anhchanh Village, Sangkat Ou Char, Battambang District, Battambang Province  (+855) 053 63 44 428  bm006@iprmfi.com
District Branch: Bavel	 Spean Kandaol Village, Bavel Commune, Bavel District, Battambang Province  (+855) 053 666 5232/ 070 999 724  bt006-01@iprmfi.com
District Branch: Samlout	 Ta Sanh Khang Chheung village, Ta Sanh Commune, Samlout District, Battambang Province  (+855) 070 999 732  bt006-02@iprmfi.com

ORGANIZATIONAL CHART



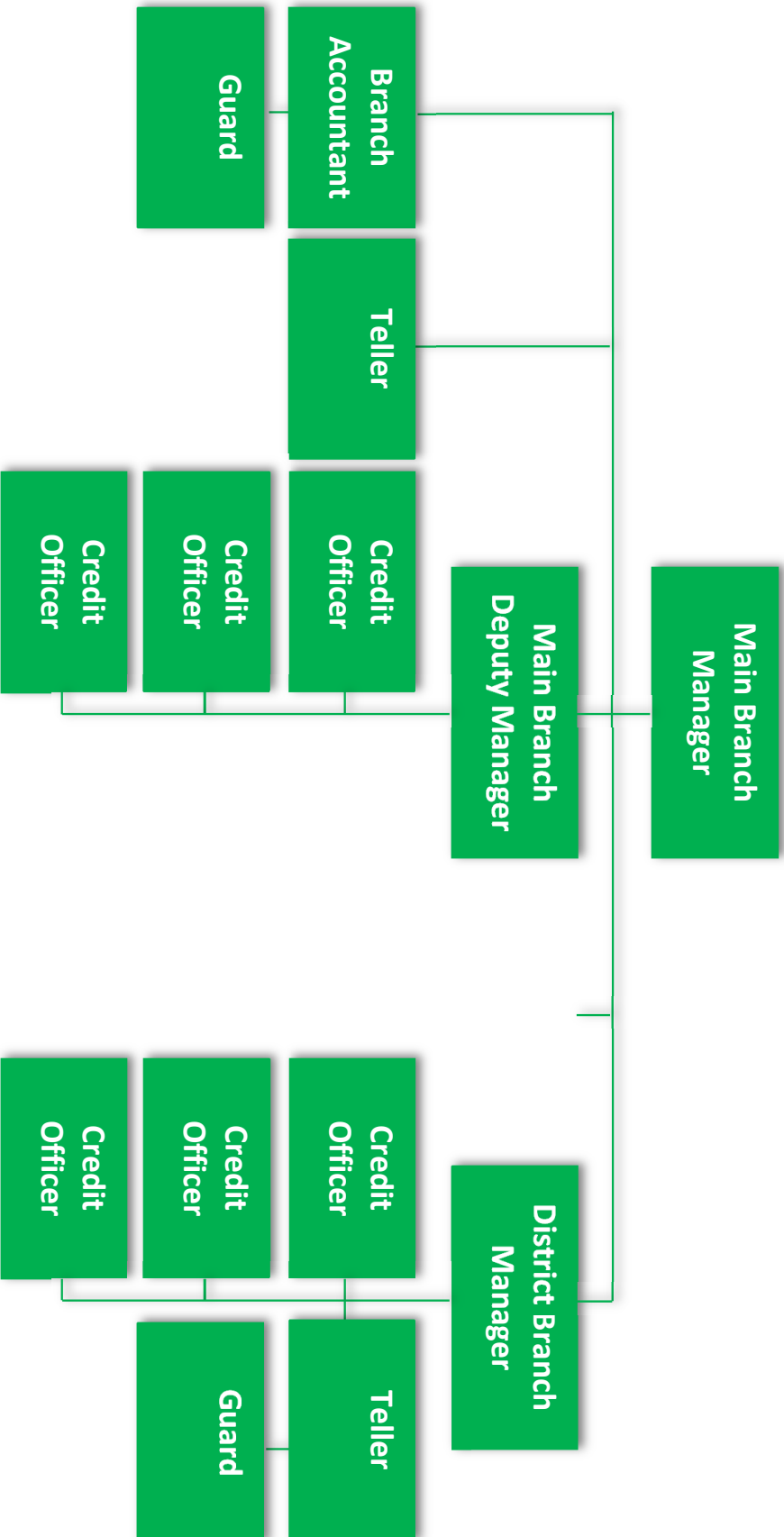
Organizational Chart INTEAN POALROATH RONGROEURNG LTD.





Branch Structure INTEAN POALROATH RONGROEURNG LTD.

BRANCH STRUCTURE



BOARD OF DIRECTOR



Mr. PHOU Puy
Director

Mr. Oknha PHOU Puy is the Founder and Chairman of the Board of Directors of IPR since inception, prominent Cambodian Agriculture Entrepreneur, particularly in rice milling; chairman and CEO of Baitang (Kampuchea) Plc, operator of the largest rice miller in Cambodia; president of the Chamber of Commerce of Battambang province.



Mr. Kimsan
Director

Mr. MIN Kimsan is the owner of Kimsan Farming, an animal raising farm contracted with C.P. Cambodia Co., Ltd, the most reputation animal raising and breeding company; owner of a few garment factory buildings in Phnom Penh.



Mr. MAK Sarun
Director

Mr. MAK Sarun serves as director of the Board of Directors of INTEAN POALROATH RONGROEURNG LTD. He is a founding shareholder of SOKIMEX Co., Ltd from the inception stage 1990 and its investment projects. He is holding directorship function of the Board of Directors of the parent company SOKIMEX since 1995. Mr. Mak Sarun obtained a master degree in Public Administration in 2008.



Mr. MAO Savin
Director

Mr. MAO Savin is an Investment Manager at Emerging Markets Investments; experienced in finance, private equity and business consulting; co-founder of several community development and social network/enterprise organizations in Cambodia.

BOARD OF DIRECTOR



Mr. CHAN Sophal
Director

Mr. CHAN Sophal is the President of the Cambodian Economic Association (CEA), Director of Fintrac, USAID contractor for Cambodia HARVEST Program; renowned agro-economist with over 20 years' relevant experience in public and private domestic and international institutions.



Mr. HSU Mingyee
Director

A former research analyst of ADA, a Luxembourg NGO specialized in micro-finance; he joined coordination in setting up of the Luxembourg Micro-finance and Development Fund and managed its investment portfolio in Asia and East Africa; experienced in working with the European Commission, mainly as its Economic and Trade Officer in Malaysia; experienced with the Financial Stability section of the Central Bank of Luxembourg; experienced with IPR as adviser and later as Head of Operations Department. He is currently an independent microfinance consultant.

SENIOR MANAGEMENT



Mr. HORT Bunsong
Chief Executive office

Mr. HORT Bunsong is currently the CEO, serving this function from the inception stage of the Company. He is the founding personnel in the creation of IPR in developing initial infrastructure required for the Company registration and obtainment of microfinance license. His prior experiences include general management, public relations and education.



Mr. CHENG Vannet
Acting Head of Operations

Mr. CHENG Vannet is currently serving as Acting Head of Operations. He joined IPR in January 2010, has previously held the positions of loan recovery manager, main branch manager and credit manager; worked for a commercial bank between 2004 to 2006 and a credit operator between 2007 and 2009.



Mr. HAY Kimkhorn
Head of Finance

Mr. HAY Kim Khorn is currently serving as Head of Finance. He joined IPR since January 2006 as Branch Assistant; then was promoted to be Branch Manager, Operations Manager and to be Head of Finance in 2009. Prior to joining IPR, he had worked as Bookkeeper in microfinance for two years.



Mr. LUN Chantheng
Head of Human Resources

Mr. LUN Chantheng is currently serving as Head of Human Resources. Prior to joining IPR, he was employed as Human Resources and Administration Manager with Ly Chhuong Construction & Import Export Co., Ltd. He used to serve IPR as Head of Human Resources for about two years. He spent seven years' experience with many INGOs in Human Resources Development and HR strategic Management; he used to serve as General Trainer for two years in a leading microfinance.

SENIOR MANAGEMENT





Mr. SAM Sodanel
Head of Internal Audit

Mr. SAM Sodanel is currently serving as Head of Internal Audit. He started his career with IPR since the inception of the company as Credit Officer in 2003. He was later on promoted to be Management Information System Officer. He has significantly contributed to develop credit policy and internal tracking program at the early stage. In 2008, he was promoted to be Head of Internal Audit.

SHAREHOLDER AND LENDERS

Mr. Oknha PHOU Puy is a private Cambodian individual shareholder and main founder of INTEAN POALROATH RONGROEURNG LTD.

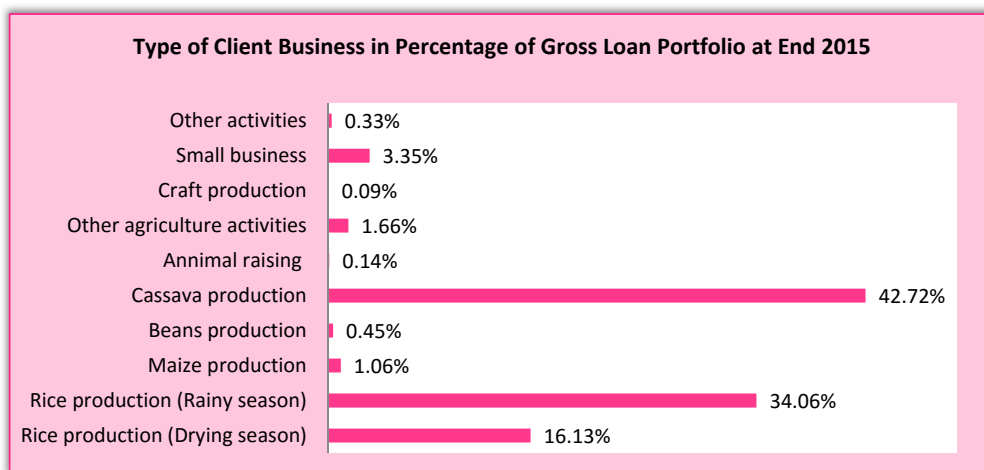
Apart from the sole shareholder, IPR has various lenders as the following:

 Luxembourg Microfinance and Development Fund	Luxembourg Microfinance and Development Fund
Triodos Bank <small>Make your money make a difference</small>	Hivos-Triodos Fonds
Triple Jump	Triple Jump
 PhillipBank	Phillip Bank
	Mr. Hsu Ming-yee
	Ms. Lin Chong-Lan

CLIENTELE AND PRODUCTS

IPR operates through a network of five main/provincial branch offices and eight district branch offices in the rural areas of Cambodia. IPR provincial location included: Takaev, Pursat, Bat Dambang and Banteay Meanchey Province. IPR indeed stands out among MFIs in Cambodia as one of the very few that focus on rural areas. IPR targets clients in areas where there is ample potential for agricultural-related products and good irrigation systems are available. IPR mostly provides its services to farmers, particularly rice farmers. Most of IPR clients cultivate rice (dry and wet season) and cassava. However, most of IPR clients pursue more than one businesses, frequently four or five businesses at the same time, which taken care of by different household members. Because client’s businesses are multiple, it shows that IPR’s credit risk is lower. IPR provides only credit products to clients, working capital and investment loan. All loans are individual loans and have to be backed up by collateral and are available in three currencies: US Dollar, Khmer Riel and Thai Baht. The interest rate charged depends on loan size, types of loan currency and perceived risk of the client. The higher the loan size the lower the interest rate, as the income necessary for IPR to generate a profit on the loan becomes proportionately lower.

The Working Capital Loan is granted for a tenor of 3 to 12 months for purchasing seeds, fertilizers and other running inputs while the Investment Loan is granted for a tenor of more than 12 to 36 months for purchasing equipment, machinery and other capital goods. As of Dec 2015, Working Capital Loan contributed at 68% whereas Investment loan was 32% of total loan portfolio. Repayment modalities are popular because there are very flexible to the clients’ need and their actual cash flow. Loan principal can be repaid monthly, bi-monthly, quarterly, every 4 months or every 6 months or a lump sum at the end of the loan term. The last modality is called balloon loan, which is favored by farmers whose income is predominantly seasonal because principle will be paid at the end of the loan term while interest can be paid monthly or 50% in advance and rest 50% at the end of loan term.



CLIENT STORY

Ms. OEURNG Sophal, 37 years old, a resident in Bat Dambang Province

SOPHAL and her husband, Kimhong, are residents in Wat Kandal village, Sangke district, Bat Dambang province. The livelihood of this household depends on wet season rice cultivation.

Before taking out loan from IPR, Sophal cultivated wet season rice which was the only main source of income for the household. Though she had 4 hectares of rice paddy, still she didn't get much income. The household had barely enough to pay for food and some basic needs for rice cultivation. Sophal always wanted to improve the rice cultivation and raise a small-scale poultry. But she was lack of capital. She has never taken out loan from neither any institutions nor local lenders before. On one hand the interest is high and on the other hand, she is afraid of not being able to pay back to lender. Her dream faded away from time to time.

In 2011, fortunately, she got to know IPR through a door-to-door campaign. She was impressed by the flexible repayment condition and affordable interest rate. After consulting with the credit officer and discussing with her family, Sophal decided to take out her first loan from IPR. The first loan was successful. The rice cultivation produced high yield crop and Sophal could save money to buy a few piglets and raised at home. She was motivated by the first loan. So Sophal decided to take her second loan and then her third loan. Until now, Sophal has been taking out loan from IPR 7 times and currently, she is on her 8th cycle.

The livelihood and asset of the household have changed significantly from one cycle to one. The main household occupation is wet season rice cultivation. Moreover, the household invest on dry season rice cultivation, pig raising and khmer white wine production. By now, Sophal owns 6 hectares of wet rice paddy, 4 hectares of dry rice paddy. Two motorbikes were bought to ease the household's travelling. Recently, she bought a plot of land (0.5 hectare) to grow cucumbers. Last but not least, Sophal bought a water pump to easily irrigate the rice paddy and vegetable farms.

Sophal praised IPR for helping her to improve the living condition of the household. She intends to expand her agricultural production further and will definitely continue choosing IPR as her financial partner.



Sophal and her husband are preparing the soil for planting cucumber

Operational Highlights

Financial Highlights

Staff and Capacity Building

Internal Audit and Control

2015: A YEAR IN REVIEW

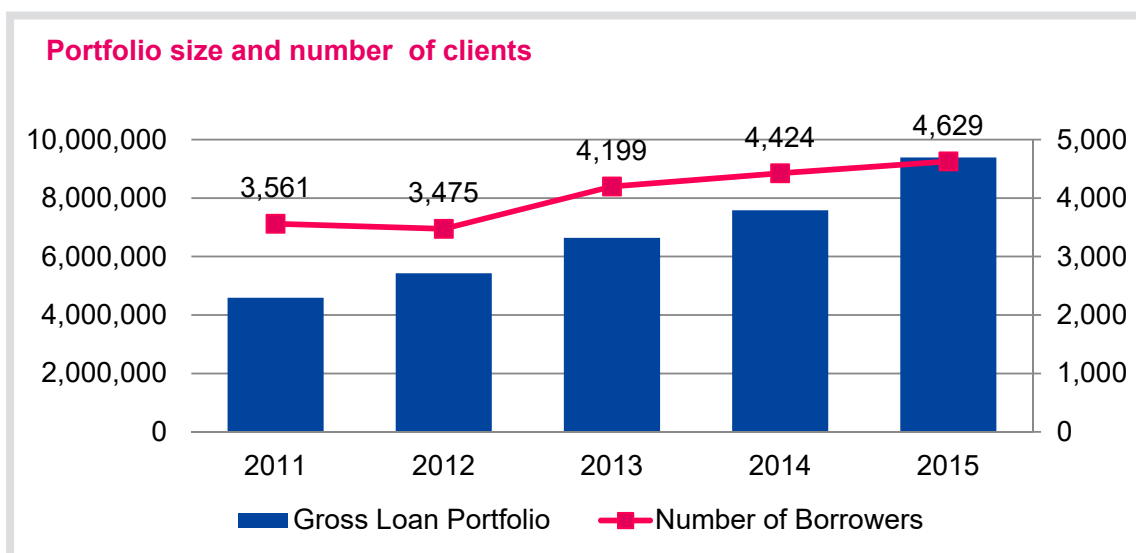
OPERATIONAL HIGHLIGHTS

Loan Portfolio

Gross loan portfolio of IPR reached US\$ 9,389,015 at the end of 2015, whereas 2014 ended was US\$ 7,583,128. The annual growth rate was 24%, higher than 2014's growth rate at 14%, while the whole microfinance sector growth was 40%. In terms of clients, the total loans as of 2015 ended was 4,629. The annual growth rate of client was 5% as same as the annual growth rate in 2014 while the whole sectorwide growth rate was about 12%. Out of the 2015 total number of clients, women stood for the most figure which made up of 90%. It is in the institution perspective that female clients are focused as they are much better in managing cash within the Cambodian families.

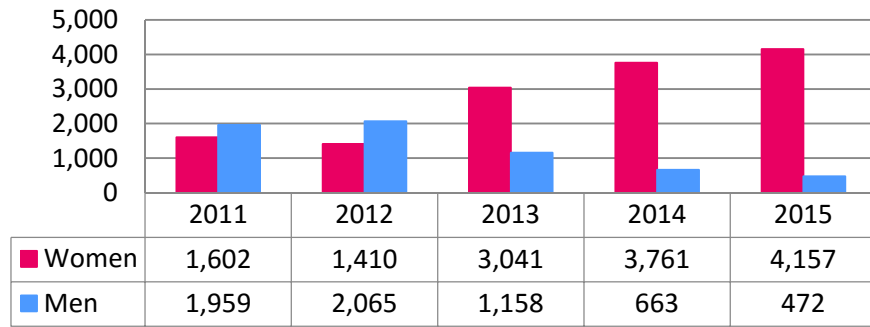
The annual growth rate of loan portfolio and number of clients differ at approximately 19%, meaning that the average loan size increased from \$1,714 in 2014 to 2,028 in 2015. However, the average of disbursed loan size was just slightly increased from \$2,128 to \$2,423 in 2015.

The institution gross loan portfolio was \$ 9.39 million, of which 37% belongs to Phnom Proek branch and 24% belongs to Pursat Branch. Approximately 99% of the institution's loans were rural area base. It always pays attention mainly on farmers by offering seasonal condition for loan disbursement and loan repayment. With referring to experience, both loan disbursement and loan repayment fall in the same period, November through February, for repayment of wet seasonal rice loans and also disbursement of dry seasonal rice loans. April through July is considered a peak seasonal lending as well for wet seasonal rice plantation; however, practically the farmers may have applied and obtained loans ahead during January to March for their loans cycle of 12 months for both crops and other purposes in families' need.

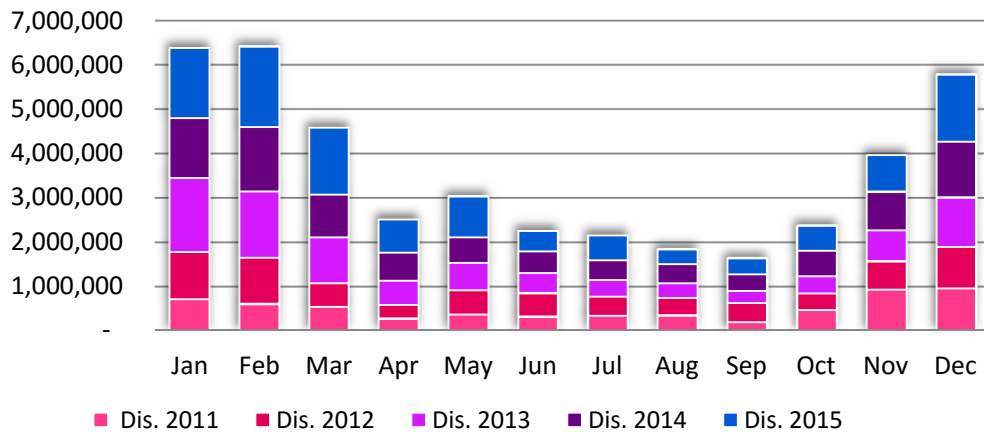


OPERATIONAL HIGHLIGHTS

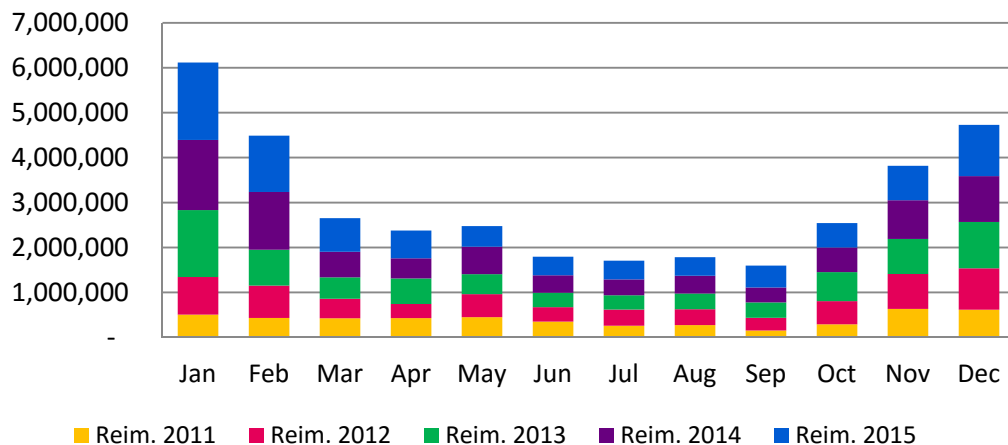
Number of Gender Clients



Disbursement by Month in US\$ from 2011-2015



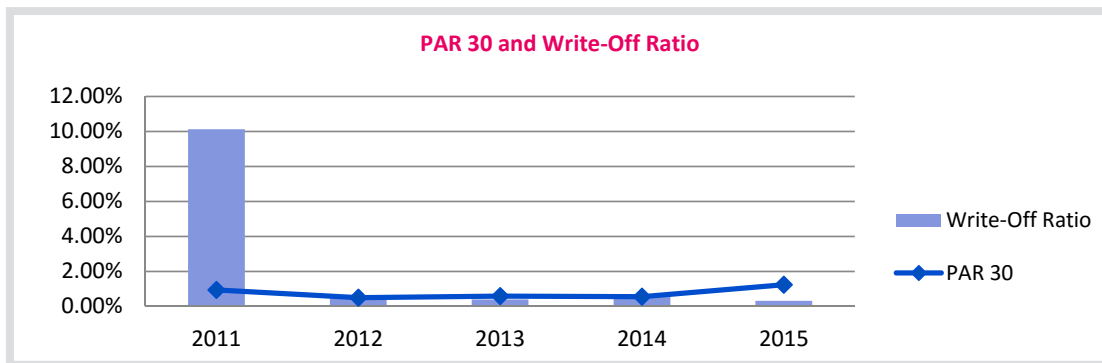
Reimbursement by Month in US\$ from 2011-2015



OPERATIONAL HIGHLIGHTS

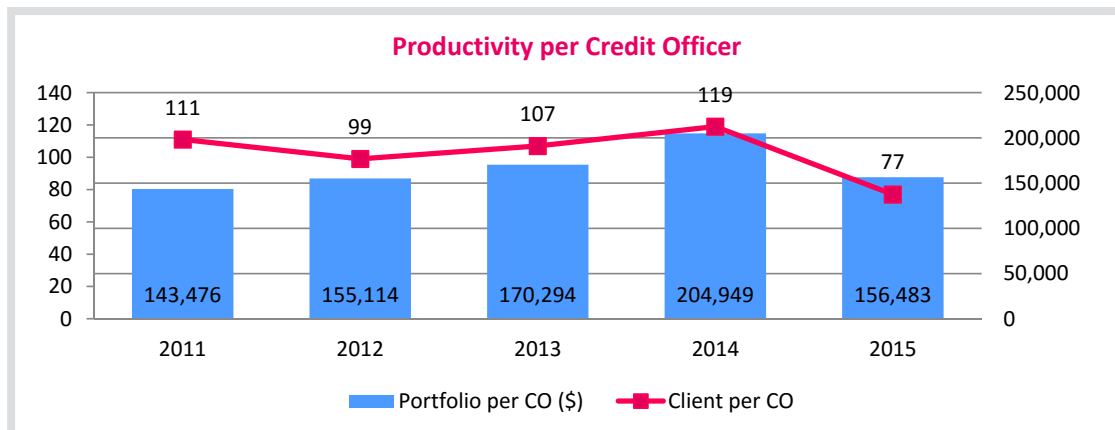
Loan Portfolio Quality

Lending to agriculture sector is generally considered higher risk than any other lending to business sectors. However, IPR portfolio, which is mostly in agriculture sector, was good. The portfolio at risk over 30 days (PAR30) by the end of 2015 was 1.2%, which was bigger than the sectorwide risk at 0.78% (including Aceda Bank small loans) while the institution’s write off ratio was at 0.32%. The high level of loan default resulted in more provision which took part in generating less return (See the brief financial report).



Productivity

Beside portfolio quality, staff productivity is another important factor to guarantee extreme profitability of the institution. As of 2015, the total number of credit officers (COs) was significantly increased to 60, while 23 COs increased compared to 2014. Within the current number of COs, the average of client number and loan portfolio size managed by a CO were 77 clients and \$156,483 respectively. Nevertheless; in the fourth quarter of 2015, 16 COs were recruited following recruitment plan and replacing those who will be resigned in 2016. By excluding those 16 COs, the average number of clients and average of loan portfolio size managed by a CO was 105 clients and \$213,386 respectively, slightly larger than 2014 in term of amount.



OPERATIONAL HIGHLIGHTS

Social Performance

The mission statement of IPR has a prominent and ambitious social component. Not only has IPR the aim of improving the economic conditions of its farmer clients, but this aim is placed before the aim of sustaining the Company's profitable growth. Nevertheless, as a private company, the generation of profit is a necessary condition to allow for the pursuit of the first aim.

In the purpose of monitoring its client's development, IPR internally has specifically set two social performance indicators to track its outreach and its client development in terms of asset in their families. The two indicators are: 1) number of female clients and 2) client net asset. The number of female clients has increased time to time. In 2015, the report demonstrated 90% of women, among all borrowers, had taken out loans from IPR. The system to track the client net asset was developed and launched in 2015. Since the figures of clients' net assets were just input in 2015, there was no benchmark for comparing the clients' net asset development. However, IPR will be able to show the development of client net asset from 2016 onward.

IPR also integrated into its annual action plan for the period of its business plan of the following key initiatives and activities regarding social performance, for the course of its business plan, and to be continuously monitored. The initiatives and activities include:

- a) Improve awareness on SPM and alert of over-indebtedness
- b) Promote Transparency and Client Privacy
- c) Strengthen IPR's Product Offer
- d) Improve Internal Operational Processes

In IPR's view, financial and social goals are compatible. The improvement of clients' economic conditions not only enhances their capacity to repay, but clients will be satisfied and thus potentially more willing to borrow from IPR again. IPR adheres to the 7 client protection principles of Smart Campaign as the following:

- 1) Appropriate product design and delivery
- 2) Prevention of over-indebtedness
- 3) Transparency
- 4) Responsible pricing
- 5) Fair and respectful treatment of clients
- 6) Privacy of client data
- 7) Mechanisms for complaint resolution

OPERATIONAL HIGHLIGHTS

Social consciousness was also reflected in IPR's attitude towards the environment. Paper is routinely recycled so that both sides of a page can be used and less waste was generated. Air-conditioners were turned on only when the fan cannot cool down the office sufficiently. Saving resources and energy is not only good for the environment, but also makes commercial sense for IPR by saving costs.

Last but not least, IPR cared about staff welfare. Besides regular salary, IPR provided performance incentives, Khmer New Year and Pchum Ben bonuses, insurance and pension fund. Socializing events are organized from time to time to build team spirit.

Internal Process

The internal process focuses on all activities and key processes required in order for the company to excel at providing the value services expected by the clients. The company will not stop growing and thus, IPR continuously improving its internal operational process.

In 2015, Operation Department had modified the authorized signature on some loan documents (such as loan contract, collateral contract, Hypotec contract, and complaint to prevent mortgages) in order to foster for better and faster credit service providing for the sake of clients satisfaction. Prio practice, only Main Branch Manager (MBM) is authorized to sign on those loan documents. This process had made the loan processing became slow. The new reform, however, allowed District Brand Manager (DBM) and Deputy Main Branch Manager (DMBM) to authorized sign the loan documents in case MBM was absent or on duty out of the office. In the same year, moreover, Operation Department revised the principal payment terms based on client's actual cash flow.



FINANCIAL HIGHLIGHTS

Sustainability and Profitability

Indicators	2014	2015	Change	Change %
Net profit	\$898,638	\$666,503	(\$232,135)	(25.8%)
Yield on portfolio	29.9%	27.5%	(2.4%)	(8.0%)
Provision expense ratio	0.3%	1.1%	0.8%	266.7%
Cost of fund ratio	8.3%	9.1%	0.8%	9.6%
Operating expense ratio	11.7%	12.1%	0.4%	3.4%
Return on assets (ROA)	10.2%	6.1%	(4.1%)	(40.2%)
Return on equity (ROE)	14.6%	9.6%	(5.0%)	(34.2%)

IPR's net profit in 2015 has decreased by 25.8%, compared to 2014. This decline was due to the decreased of portfolio yield and the increased of provision and funding expenses, yet the Foreign Exchange Losses (\$78,469), which was not projected.

Early of the year 2015, the board of director decided to lower the interest rate on USD loans in order to encourage borrowers to take out loans in USD. Another reason to lower the interest rate was to decrease the net open position of the company following the Prakas of National Bank of Cambodia. As a result, the loan portfolio yield dropped by 2.4% in comparison with 2014.

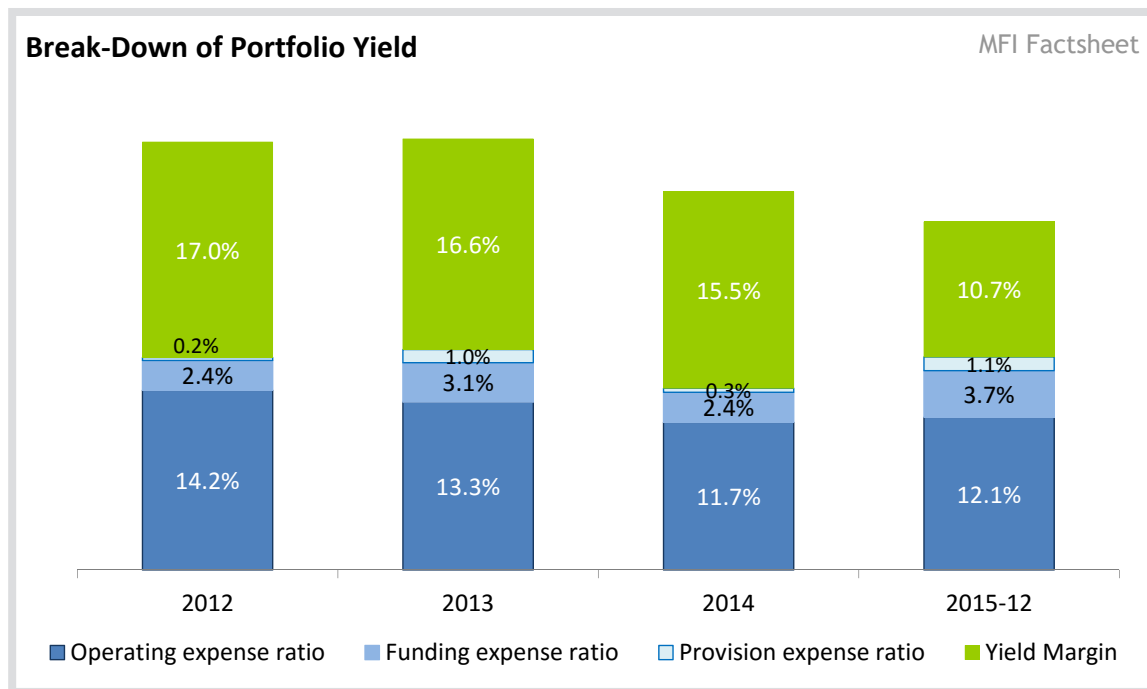
Since the portfolio yield was dropped, the ROA was hence lower following reasons mentioned above. 2015's ROA was 6.1%, much lower than 10.2% in 2014. However, IPR is still the most efficient MFI player when comparing with the industry in Cambodia, which was around 3.7%¹.

In terms of ROE, IPR was lower than the sectorwide's achievement. 2015's ROE was 9.6% while the sectionwide was about 15.9%². The lower ROE was because of larger shareholders' equity of the company while fund borrowing was very small to the total equity. As of December 2015, the company's leverage was 0.7 times while key players reached between 5 to 7 times. However, IPR operating expense ratio was stable. It showed that efficiency of the company was not changed though the loan portfolio quality was largely increased.

¹Figure from Mix-market at the end of year 2014.

²Figure from Mix-market at the end of year 2014.

FINANCIAL HIGHLIGHTS



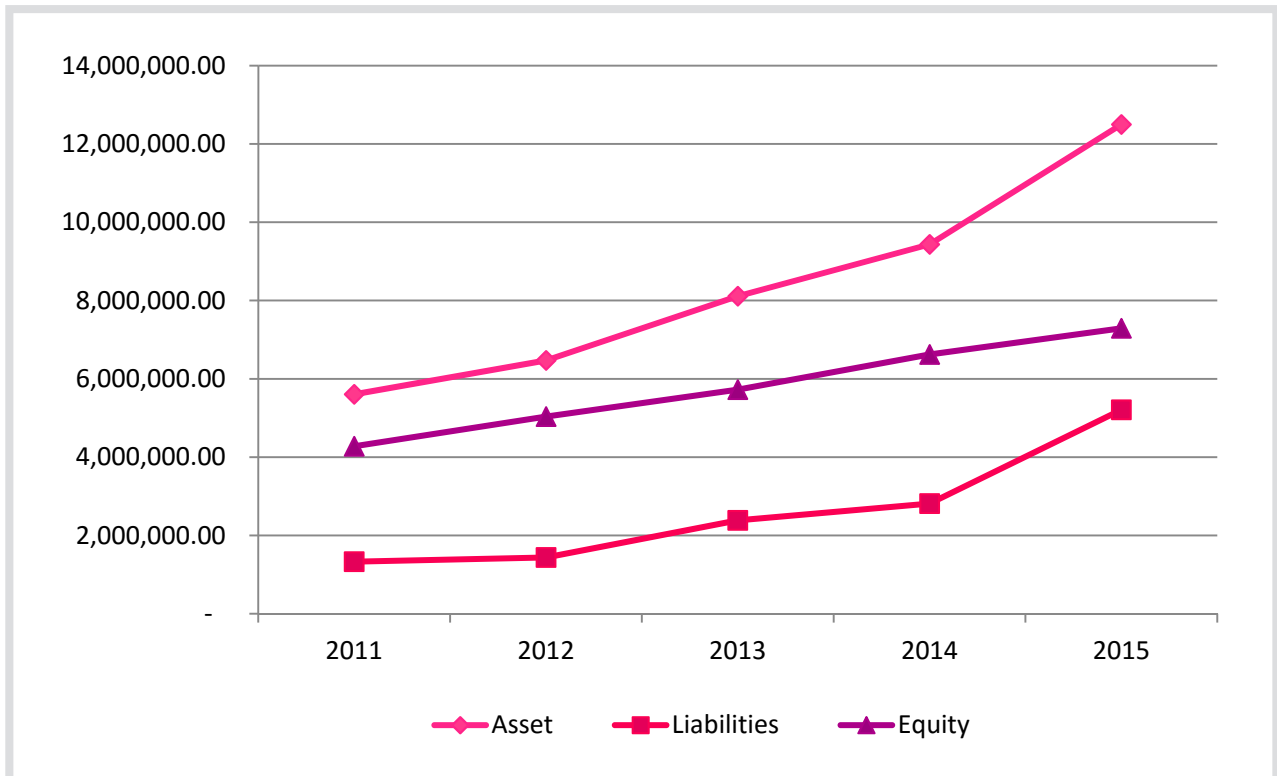
Assets, Liabilities and Equity

IPR was organically growing its asset and primarily financed its loan portfolio mostly by equity with healthy condition. The leverage ratio of the institution was still low at 0.7 times; this low leverage implied a very comfortable solvency margin for the institution and a large room for increasing future borrowing.

Description	2014	2015	Change	Change %
Total assets	\$ 9,434,240	\$ 12,498,084	\$ 3,063,844	32.5%
Total liabilities	\$ 2,811,759	\$ 5,209,100	\$ 2,397,341	85.3%
Total equity	\$ 6,622,481	\$ 7,288,984	\$ 666,503	10.1%

FINANCIAL HIGHLIGHTS

Five years evolution of assets, liabilities and equity



Borrowings

IPR received debt funding from local banks, international funding institutions and private individuals as mentioned in the table below.

In 2015, IPR received additional funding from Stichting Hivos-Triodos Fonds, a foundation incorporated and existing under the laws of the Netherlands, and Triple Jump Innovation Fund B.V (OXFAM NOVIB duly represented by Triple-Jump B.V), a private company with limited liabilities organize and exiting under the laws of Netherlands.

FINANCIAL HIGHLIGHTS

As of 31 December 2015, IPR had an outstanding borrowing balance with the following lenders:

Institutions/Lenders	2014	2015
Luxembourg Microfinance and Development Fund (LMDF)	\$ 1,000,000	\$ 944,444
Hivos-Triodos Fonds	\$ 500,000	\$ 1,500,000
Triple Jump B.V.	-	\$ 1,500,850
Phillip Bank	\$ 333,333	\$ 166,667
MB Bank	\$ 140,000	-
Mr. Hsu Ming-Yee	\$ 275,000	\$ 320,000
Ms. Lin Chong-Lan	-	\$ 180,000
Total	\$ 2,248,333	\$ 4,611,961

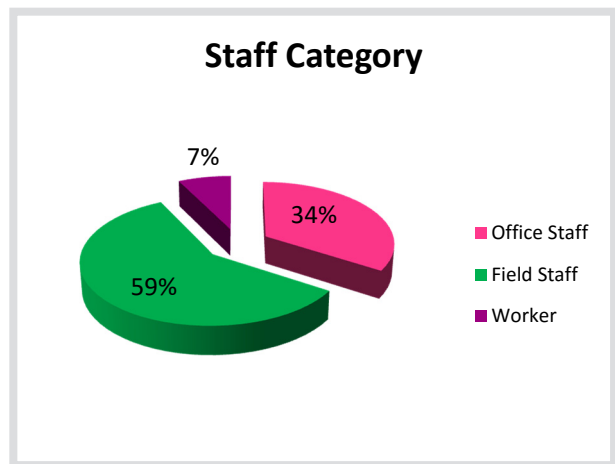
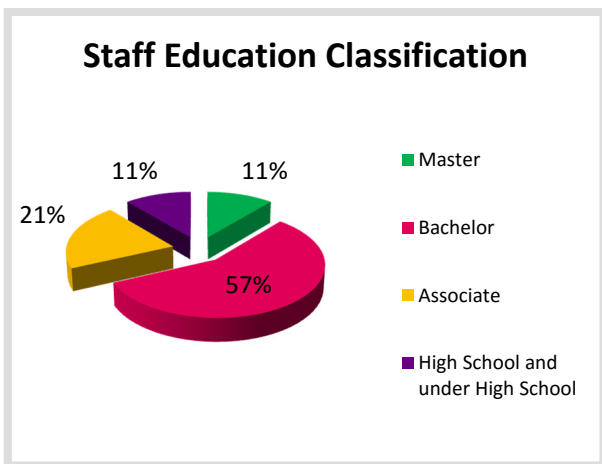


STAFF AND CAPACITY BUILDING

Staff Information

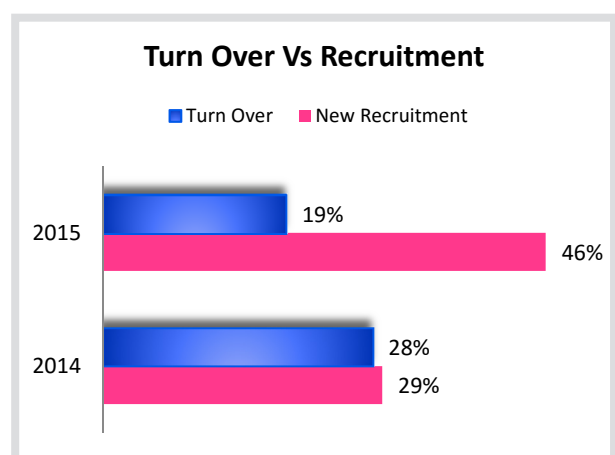
By the end of 2015, IPR counted 135 employees compared to 99 at the end of 2014. The rate was increased of 36%. Among IPR employees, 34% were office staff, 59% were field staff, while 7% were workers. Female employee represented 21% of total staff, though they are mostly office-based.

Regarding staff education, master degree accounted for 11% of the total, while bachelor degree, associate, and high school were 57%, 21% and 11% respectively. In overall, IPR staff has a good level of education.



Recruitment Vs Turn Over

In 2015, 62 new employees joined the company, amounting to 46% of total staff at the end 2015. However, 23 employees left the company during the year; the number corresponded to 19% of the total at the end of 2015. Most of the resigned staff has left IPR to join other MFIs for career development and higher benefits, while others have left to set up their own business.



STAFF AND CAPACITY BUILDING

Staff Capacity Development

Staff capacity development is a conceptual approach to development that focuses on understanding the obstacles that inhibit staff and company from realizing their development goals while enhancing the abilities that will allow them to achieve measureable and sustainable results. And so capacity building is very important for all levels of staff.

In 2015, IPR provided a large number of internal and external trainings and workshops to its staff in order to strengthen their competence and skills and to improve their performance for the company.



Staff Internal Training

List of Trainings and workshops in 2015

Internal Trainings	
1. Orientation and Training for MBMs	2. Orientation and Training for COs (2times)
3. Orientation and Training for Tellers	4. Orientation and Training for BAs
5. Posting Data into Abacus System (2times) for MDBMs, DBMs and BAs	
External Trainings	
1. Quota, work permits & foreign labor inspection in Cambodia	2. Talent Review & Acquisition Strategy
3. The Development of NSSF in Private Sector	4. Forum on Financial Risk Management & Agriculture Insurance System (2times)
5. Fern's user group 2015	6. Financing Training
7. CISCO Dynamic Multipoint VPN	8. Governance & Internal Audit for Organization Performance
9. Office Management and Secretarial Skill	10. AML/CFT regime in Cam & STR reporting Mechanism
11. Conference on Financial Market Development on contributing to update the usage of Khmer Riel Currency	12. Financial & Social Performance Indicators for MFIs
13. Annual Profit Tax, Online tax declaration and Tax payment receipt	

STAFF AND CAPACITY BUILDING

Social Activities: Trainee, Volunteer and Internship

In the purpose of contributing in building competences to universities' students and others, who are interested in working in microfinance sector, to enable them finding careers for their own, IPR always providing traineeship, voluntary and internship opportunities to those in order to gain experience from the real practice in its workplace every year. Topics provided include credit assessment and management, accounting and records, cash management, information technology, internal audit, etc.

In 2015, IPR accepted 32 students at both Branch Offices and Head Office in Phnom Penh for internship and voluntary program. After completion of their traineeship, 18 of them were selected and employed by the Company; while the rest were capable to find jobs with other companies.



INTERNAL AUDIT AND CONTROL

Internal Audit Department has three staff, including one head of internal audit (HOA) and two operational auditors (OA). The OAs, under the supervision and guidance of the head, performed their regular audit to all branch offices following the department's annual audit plan. The operational auditors are assigned in different audit areas. One OA is in charge in Takaev Main Branch with 3 satellite district branches and Pursat Main Branch with 1 satellite district branch. Another OA is in charge Phnum Proek Main Branch with 2 satellite district branches, Manteay meanchey Main Branch and Bat Dambang Main Branch with 1 satellite district branch.

In 2015, the department conducted three audits for each of all branch offices. Each branch audit was focused on investigation regarding loan assessment & discipline, asset management, financial and cash management and loan review both documents and client visit. It's noticed that errors or weakness related with discipline and asset management and financial management were significantly improved as the errors were less. However, errors related with loans needed more improvement such as strengthening on loan assessment, following up clients after loan disbursement and following up credit officers' performances to ensure high effectiveness of loan management.

In the same year, Internal Audit Department organized two times meeting with Audit Committee to discuss findings and the following year work plan. Furthermore, Head of internal audit department joined the Risk Committee Meeting to discuss potential risks within the whole IPR and discussed of mitigation strategies. Part of risk monitoring, the department as the secretary of Risk Committee has regularly sent the risk limit and risk registration to the committee in monthly and quarterly respectively for review and comments for improvement action if necessary.

Last but not least, Internal Audit Department developed a system so called "Internal Audit Worksheet and Rating System". The new Internal Audit Worksheet and Rating System defined specific types of risks to be assessed in field of Loan Management, Finance, Human Resources and Information Technology. The new system will allow auditors to input the score of each risk and the impact will automatically display following its rating. The recommendations of findings are already set following the impacts. Auditors can produce a report immediately after the audit process done with recommendations of findings just after discussion of findings with the audited branch. Objections or verifications will be discussed during the time between the auditors and the branch's relevant staff. The new audit worksheet and rating system is planned to use by Q2, 2016.

**EXTRACTS FROM 2015
AUDITED FINANCIAL
STATEMENTS**

Report of the Board of Directors
Report of the Independent Auditors
Balance Sheet
Income Statement
Statement of Changes in Shareholders' Equity
Statement of Cash Flows

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (“the Directors”) is pleased to present its report and the audited financial statements of Intean Poalroath Rongroeurng Ltd (“IPR” or “the Company”) for the year ended 31 December 2015.

PRINCIPAL ACTIVITY

The Company is principally engaged in the provision of micro-finance services to rural population of Cambodia. Those services comprise granting credit for poor and low income households and small enterprises operating in the Kingdom of Cambodia.

FINANCIAL PERFORMANCE

The financial performance of the Company for the year ended 31 December 2015 is set out in the income statement on page 7 of the financial statements.

SHARE CAPITAL

During the year, there were no changes in the registered and paid-up capital of the Company.

BAD AND DOUBTFUL LOANS

Before the Company’s financial statements were drawn up, the Directors took reasonable steps to ascertain that appropriate action had been taken in relation to the writing off of bad loans or making provision for bad and doubtful loans. The Directors have satisfied itself that all known bad loans have been written off and that adequate provisions have been made for bad and doubtful loans.

At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances which would render the amount of the provision for bad and doubtful loans in the financial statements of the Company inadequate to any material extent.

ASSETS

Before the Company’s financial statements were drawn up, the Directors took reasonable steps to ensure that any assets, 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 might be expected to realize.

REPORT OF THE BOARD OF DIRECTORS

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the assets in the Company's financial statements misleading in any material respect.

VALUATION METHODS

At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the Company's financial statements misleading or inappropriate in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- i) no charge on the assets of the Company which has arisen since the end of the year which secures the liabilities of any other person; and
- ii) no contingent liability in respect of the Company that has arisen since the end of the year other than in the ordinary course of its business operations.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The Company's financial performance for the year ended 31 December 2015 was not, in the opinion of the Directors, materially affected by any items, transactions or events of a material and unusual nature. There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of Directors, to substantially affect the financial performance of the Company for the year in which this report is made.

REPORT OF THE BOARD OF DIRECTORS

SIGNIFICANT EVENTS

No significant events occurred after the balance sheet date requiring disclosure or adjustment other than those already disclosed in the accompanying notes to the financial statements.

THE BOARD OF DIRECTORS

The members of the Board of Directors holding office during the financial year and as at the date of this report are:

☞ Oknha Phou Puy	Chairman
☞ Mr. Mak Sarun	Director
☞ Mr. Min Kimsan	Director
☞ Mr. Hsu Ming Yee	Independent director
☞ Mr. Chan Sophal	Independent director
☞ Mr. Mao Savin	Independent director

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible to ensure that the financial statements are properly drawn up, so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Directors are required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ii) comply with the disclosure requirements of Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia or, if there have been any departures in the interest of true and fair presentation, ensure they have been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) 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
- v) set overall policies for the Company, ratify all decisions and actions by the Directors that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the financial statements.

REPORT OF THE BOARD OF DIRECTORS

The Directors confirm that the Company has complied with these requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, which present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the year ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia, were approved by the Board of Directors.

On behalf of the Board of Directors,



Oknha Phou Puy
Chairman

Phnom Penh, Kingdom of Cambodia
Date: 05 APR 2016

REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders of Intean Poalroath Rongroeurng Ltd,

We have audited the accompanying financial statements of Intean Poalroath Rongroeurng Ltd (“the Company”) which comprise the balance sheet as at 31 December 2015 and the income statement, the statements of changes in shareholders’ equity and cash flows for the year ended 31 December 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian Accounting Standards and guidelines of the National Bank of Cambodia, 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



REPORT OF THE INDEPENDENT AUDITORS

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia.

For PricewaterhouseCoopers (Cambodia) Ltd.

By Kuy Lim
Partner

Phnom Penh, Kingdom of Cambodia
Date: 5 April 2016

BALANCE SHEET

As at 31 December, 2015

	Notes	2014		2015	
		US\$	Riel '000	US\$	Riel '000
ASSETS					
Cash on hand	4	87,848	357,981	94,852	384,151
Balances with the Central Bank	5	155,256	632,668	155,383	629,301
Deposits with banks	6	987,623	4,024,564	2,242,786	9,083,283
Loans to customers	7	7,475,390	30,462,214	9,220,281	37,342,138
Other assets	8	473,605	1,929,940	513,271	2,078,750
Property and equipment	9	69,524	283,310	78,491	317,889
Intangible assets	10	56,622	230,735	40,170	162,689
Profit tax credit	20 (a)	58,348	237,768	63,835	258,532
Deferred tax assets	20 (b)	70,024	285,348	89,015	360,511
Total assets		9,434,240	38,444,528	12,498,084	50,617,244
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Borrowings	11	2,248,333	9,161,957	4,611,961	18,678,442
Other liabilities	12	249,308	1,015,930	291,286	1,179,713
Provision for severance pay	13	119,283	486,078	137,527	556,984
Current income tax liabilities	20 (c)	194,835	793,953	168,326	681,720
Total liabilities		2,811,759	11,457,918	5,209,100	21,096,859
SHAREHOLDERS' EQUITY					
Share capital	14	3,088,645	12,586,228	3,088,645	12,509,012
Retained earnings		3,533,836	14,400,382	4,200,339	17,011,373
Total shareholders' equity		6,622,481	26,986,610	7,288,984	29,520,385
Total liabilities and shareholders' equity		9,434,240	38,444,528	12,498,084	50,617,244

INCOME STATEMENT

For the Year Ended 31 December 2015

	Notes	2014		2015	
		US\$	Riel '000	US\$	Riel '000
Interest income	15	2,126,366	8,664,941	2,334,287	9,453,862
Interest expense	16	(169,026)	(688,781)	(313,566)	(1,269,942)
Net interest income		1,957,340	7,976,160	2,020,721	8,183,920
Other operating income	17	34,122	139,047	43,839	177,548
Operating income		1,991,462	8,115,207	2,064,560	8,361,468
Personnel expenses	18	(459,222)	(1,871,330)	(554,046)	(2,243,886)
Depreciation and amortisation charges		(50,569)	(206,069)	(55,465)	(224,633)
General and administrative expenses	19	(377,305)	(1,537,518)	(492,277)	(1,993,722)
Provision for bad and doubtful loans	7	(22,385)	(91,219)	(91,145)	(369,137)
Operating profit before income tax		1,081,981	4,409,071	871,627	3,530,090
Income tax expense	20 (d)	(183,343)	(747,131)	(205,124)	(830,752)
Profit for the year		898,638	3,661,940	666,503	2,699,338

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the Year Ended 31 December 2015

	Notes	Share capital US\$	Retained earnings US\$	Total US\$
Balance as at 1 January 2014		3,088,645	2,635,198	5,723,843
Profit for the year		-	898,638	898,638
Balance as at 31 December 2014		<u>3,088,645</u>	<u>3,533,836</u>	<u>6,622,481</u>
<i>In KHR' 000 equivalent</i>		<u>12,586,228</u>	<u>14,400,382</u>	<u>26,986,610</u>
Balance as at 1 January 2015		3,088,645	3,533,836	6,622,481
Profit for the year		-	666,503	666,503
Balance as at 31 December 2015		<u>3,088,645</u>	<u>4,200,339</u>	<u>7,288,984</u>
<i>In KHR' 000 equivalent</i>		<u>12,509,012</u>	<u>17,011,373</u>	<u>29,520,385</u>

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2015

	Notes	2014		2015	
		US\$	Riel '000	US\$	Riel '000
Net cash used in operating activities	21	(32,441)	(124,170)	(1,053,088)	(4,265,007)
Cash flows from investing activities					
Purchases of property and equipment	9	(34,818)	(141,883)	(41,496)	(168,059)
Purchases of intangible assets	10	-	-	(6,750)	(27,338)
Net cash used in investing activities		(34,818)	(141,883)	(48,246)	(195,397)
Cash flows from financing activities					
Proceeds from borrowings		1,000,000	4,075,000	3,170,294	12,839,691
Repayments of borrowings		(591,836)	(2,411,736)	(806,666)	(3,266,997)
Net cash generated from financing activities		408,164	1,663,264	2,363,628	9,572,694
Net increase in cash and cash equivalents		340,905	1,397,211	1,262,294	5,112,290
Cash and cash equivalents at beginning of the year		722,890	2,887,945	1,063,795	4,334,965
Currency translation differences		-	49,809	-	(26,595)
Cash and cash equivalents at end of the year	22	1,063,795	4,334,965	2,326,089	9,420,660

APPENDIX
NOTES ON COMPLIANCE WITH THE CENTRAL
BANKS' PRASKAS

COMPLIAN WITH THE CENTRAL BANK'S PRAKAS

1. CAPITAL ADEQUACY RATIO (SOLVENCY RATIO), Prakas No. B7-07-133

A licensed micro-finance institution shall at all times maintain a capital adequacy ratio of more than 15%. As at 31 December 2015, the capital adequacy ratio of the Company was 60.14% (2014: 72.26%).

The capital adequacy ratio calculation is detailed in Schedule 1.

2. LIQUIDITY RATIO, Prakas No. B7-07-163

A licensed microfinance institution shall at all times maintain a liquidity ratio of at least 50%. As at 31 December 2015, the liquidity ratio of the Company is over 100%.

The liquidity ratio calculation is detailed in Schedule 2.

3. NET OPEN POSITION IN FOREIGN CURRENCY, Prakas No B7-07-134

A licensed microfinance institution shall at all times maintain a net open position in foreign currencies in either any foreign currency or an overall net open position in all foreign currencies, whether long or short, which shall not exceed 20% of the Company's net worth.

As at 31 December 2015, the net open position in Khmer riel was long 14.62% and Thai baht was long 17.04%.

The calculation is detailed in Schedule 3.

4. LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO, Prakas No. B702-186

Licensed micro-finance institutions shall classify their loan portfolios into the following four classes, depending on the financial situation of the borrower and the timeliness of principal and interest payments.

COMPLIAN WITH THE CENTRAL BANK'S PRAKAS

Loan term of one year or less

- Standard: good financial condition and punctual payment of principal and interest.
- Sub-standard: some payments of principal and/or interest are overdue by 30 days or more.
- Doubtful: some payments of principal and/or interest are overdue by 60 days or more.
- Loss: some payments of principal and/or interest are overdue by 90 days or more.

Loan term of more than one year

- Standard: good financial condition and punctual payment of principal and interest.
- Sub-standard: some payments of principal and/or interest are overdue by 30 days or more.
- Doubtful: some payments of principal and/or interest are overdue by 180 days or more.
- Loss: some payments of principal and/or interest are overdue by 360 days or more.

Mandatory provisions on the loans classified as follows:

- Sub-standard : 10% regardless of the collateral value except cash.
- Doubtful : 30% regardless of the collateral value except cash.
- Loss : 100%.

As at 31 December 2015, the mandatory provision provided by the Company was US\$76,007 calculated in compliance with the Central Bank's Prakas.

Loan classification, provision and delinquency ratio calculation are detailed in **Schedule 4**.

SCHEDULE 1: NET WORTH RATIO

As at 31 December 2015

NET WORTH RATIO	US\$
<i>I- Sub-total A : Items to be added</i>	
– Capital or endowment	3,088,645
– Reserve, other than revaluation reserves	-
– Premium related to capital (share premiums)	-
– Provision for general banking risks, with the prior agreement of the NBC	-
– Retained earnings	3,533,836
– Audited net profit for the latest financial year	666,503
– Other items approved by the National Bank of Cambodia	-
	<u>7,288,984</u>
<i>II- Sub-total B : Items to be deducted</i>	
– For shareholders, directors, managers and their next of kind	
• Unpaid portion of capital	-
• Advances, loans, security and the agreement of the persons concerned as defined above	-
– Holding of own shares at their book value	-
– Accumulated losses	-
– Intangible assets	40,170
– Losses determined on dates other than the end of the annual accounting period (including provisions to be made for doubtful debt and securities)	(92,726)
	<u>(52,556)</u>
<i>III- Total C : BASE NET WORTH = A - B</i>	<u>7,341,540</u>
<i>IV- Sub-total D : Items to be added</i>	
– Revaluation reserves, with the prior agreement of the NBC	-
– Subordinated debt, with the prior agreement of the NBC, up to 100% of base net worth	-
– Other items, with the prior agreement of the NBC, could be included in the calculation of net worth and shall not be more than base net worth	-
	<u>-</u>
<i>V- Sub-total E : Items to be deducted</i>	
– Equity participation in banking and financial institutions	-
– Other items	-
	<u>-</u>
<i>VI- Total F: TOTAL NET WORTH = C + D – E</i>	<u>7,341,540</u>

SOLVENCY RATIO**US\$****I- Numerator (A)**

Net worth	7,341,540
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II- Denominator (B)

Assets (*)

	Assets	Weighting	
– Cash	94,852	0%	-
– Gold	-	0%	-
– Claims on the NBC	155,383	0%	-
– Assets collateralized by deposits	-	0%	-
– Claims on sovereigns rated AAA to AA-	-	0%	-
– Claims on sovereigns rated A+ to A-	-	20%	-
– Claims on banks rated AAA to AA-	-	20%	-
– Claims on sovereigns rated BBB to BBB-	-	50%	-
– Claims on banks rated A+ to A-	-	50%	-
	12,207,679		12,207,679
– All other assets	-	100%	-
	<u>12,457,914</u>		<u>12,207,679</u>

III- Solvency ratio (A/B)**60.14%**

(*) The denominator of the ratio shall comprise the aggregate of the assets (net amount after deduction of provision and depreciation) and off-balance sheet items, weighted to their degree of risk. It excludes the items which are deducted in calculating the net worth according to the provisions of the Prakas on the calculation of microfinance institutions' net worth.

SCHEDULE 2: LIQUIDITY RATIO

As of 31 December 2015

	<u>US\$</u>
I- Numerator: LIQUID ASSETS (A)	
Cash on hand	94,852
Balances with the Central Bank	951
Balances with banks	<u>2,242,786</u>
	<u>2,338,589</u>
<i>Less:</i>	
- Amounts owed to NBC	-
- Amounts owed to other banks	<u>-</u>
	<u>-</u>
Net liquidity	<u>2,338,589</u>
<i>Plus:</i>	
- Portion of loans maturing in less than one month	<u>403,241</u>
LIQUID ASSETS	<u>2,741,830</u>
II- Denominator: ADJUSTED AMOUNT OF DEPOSITS (B)	
	%
Voluntary savings	25% <u>-</u>
III- LIQUIDITY RATIO (A/B)	<u>100%</u>

SCHEDULE 3: NET OPEN POSITION

As at 31 December 2015

Currency	On Balance Sheet		Net open position US\$	NOP/ Net worth %	Limit %
	Assets US\$	Liabilities and capital US\$			
US\$	9,674,241	11,992,697	(2,318,456)	(31.58%)	20%
THB	1,730,529	482,672	1,247,857	17.04%	20%
KHR	1,093,314	22,715	1,070,599	14.62%	20%
Total	12,498,084	12,498,084	-		
Net worth			7,341,540		

SCHEDULE 4: CLASSIFICATION, PROVISING, AND DELINQUENCY RATIO

As at 31 December 2015

	Amount US\$	Rate %	Specific Provision US\$
Loan classification			
1-Loans of one year or less			
1-1 Standard	5,899,234	0%	-
1-2 Substandard Past Due ≥ 30 days	4,633	10%	463
1-3 Doubtful Past Due ≥ 60 days	3,216	30%	965
1-4 Loss Past Due ≥ 90 days	53,403	100%	53,403
Sub-Total 1	<u>5,960,486</u>		<u>54,831</u>
2-Loans of more than one year			
2-1 Standard	3,367,874	0%	-
2-2 Substandard Past Due ≥ 30 days	31,993	10%	3,199
2-3 Doubtful Past Due ≥ 180 days	15,263	30%	4,579
2-4 Loss Past Due ≥ 360 days	13,398	100%	13,398
Sub-Total 2	<u>3,428,528</u>		<u>21,176</u>
Grand total 1+2	<u>9,389,014</u>		<u>76,007</u>
All loan past due > 30 days (A)			121,906
Loan outstanding (B)			<u>9,389,014</u>
Delinquency ratio (A/B)			<u>1.30%</u>

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