

Annual Report 2005



ក្រុមហ៊ុនមីក្រូហិរញ្ញវត្ថុ ប្រាសាក់
PRASAC MICROFINANCE INSTITUTION

growing together



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Our vision and mission

to contribute to sustainable rural economic development in order to improve the living standards of the rural people through creation of sustainable access to financial services for rural communities and micro-enterprises.

About PRASAC MFI



Background

The PRASAC (Programme de Rehabilitation et d'Appui au Secteur Agricole du Cambodge) project started in 1995 as a support program for the agricultural sector in Cambodia, covering six provinces around Phnom Penh. The first phase of PRASAC was implemented during the period 01/01/95-30/04/99. The second phase of the project, PRASAC, commenced on 01/05/99 and was completed on 31/12/03. Both program phases were funded by the European Commission (EC) under the Financing Agreement N° KHM/B7-3000/IB/98/0181.



PRASAC had agricultural, rural infrastructure, community development, institutional strengthening, and credit and micro-enterprise components. The implementing agencies on behalf of the Royal Government of Cambodia (RGC) were the Ministry of Rural Development (domestic water supply, community development), the Ministry of Agriculture, Fisheries and Forestry (sustainable agricultural productivity), the Ministry of Water Resources and Meteorology (irrigation schemes), and the Rural Development Bank (credit facility).

PRASAC programme was formally closed in December 2003. However, the Financing Agreement (FA) between the EC and the RGC remained valid until end of December 2004. To achieve sustainability beyond the closure of PRASAC, the credit component started in 2001 with gradual transformation into a semi-independent microfinance operator under the name PRASAC Credit Association (PCA), registered by the NBC as a Rural Credit Operator. In August 2004, a new limited liability company PRASAC MFI Ltd

was registered with the MoC (Certificate No.: 1126 issued on 12.8.04). It has two shareholders- CRDF (a NGO registered with the Mol) and Staff Company Ltd. PRASAC MFI LTD received its MFI license from the National Bank of Cambodia in November 2004. The operations, assets and liabilities of PCA were with effect per 1.1.2005 permanently and irrevocably transferred to PRASAC MFI Ltd with a MoU between the EC and the RGC, co- signed by PRASAC MFI Ltd. With another MoU regarding the Funds (seed funds and retained earnings) the ownership has as per 1.1.2005 been transferred from the EC to the RGC. A condition for the transfer is that the funds are made available for PRASAC MFI Ltd as perpetual subordinated credit facilitating ongoing operations and sustained access to credit for the rural poor.

A separate Subordinated Debt Agreement between the RGC and PRASAC MFI Ltd was signed with effect from 1.1.2005.



Our Challenges

1. To be a leading MFI in Cambodia offering financial services to the rural community and micro enterprises under high professional and moral standards, implementing transparency and good governance in all operational levels in a sustainable manner.

2. To diversify loan portfolio and review financial products and services to be competitive and suit clients' demands.

3. To build trust and confidence among all stakeholders such as customers, staff, shareholders and regulatory body.

4. To mobilize institutional/strategic shareholders who have banking expertise and share common mission with PRASAC MFI.

5. To avoid mission drift and to maintain status as non-profit organization that reinvests earnings for the expansion of outreach and the improvement of products and services.

Business Objective

The business objectives of PRASAC MFI Ltd are to carry out activities of a micro-finance institution, by providing financial services such as credit services (group loans and individual loans) and savings (savings and time deposit) services to rural communities, households and small and medium size enterprises.

The objectives shall be achieved by strict adherence of high professional and moral standards, transparency and good governance.

Financial Products & Services

LOCAL CURRENCY LOANS (KHR)

Group loans

The target clientele for character-based group lending are rural people, particularly the poor villagers who lack access to formal financial services and need capital for income generating activities. To do so, group loan delivery mechanism is used where villagers organize themselves into solidarity groups which consist of 3 to 8 members from different households. The clients can borrow amounts ranging from KHR 50,000 to 500,000

within 4-12 months loan period. PRASAC charges acceptable interest p.a. from its clients on declining balance.

Individual loans

The target clientele for individual business loans are micro entrepreneurs operating their business in the rural economy. They are producing (or offering services) for cash in rural or semi-urban markets. However, they may also produce to a minor extent for their own consumption or barter trade in the semi-subsistence rural economy. The clients can borrow amounts ranging from KHR 300,000 to 40,000,000 within 4-24 months loan period.

Us dollar currency loans:

PRASAC introduced new loan products, US Dollar currency loans to the market in July 2005. It offers a convenient credit facility to SME's already using dollar currency for their business transactions and having cash flow in US Dollar. The loan size and term and repayment mode are the same as local currency loans (Khmer Riel).

Deposits:

Based on its vision and mission, PRASAC created new financial services, i.e. savings, now clients can deposit in both local and US dollar currency. There are two types of product such as time deposits and savings.

Savings:

Clients can open their savings account both in riel and dollar. Clients can open the first savings account with minimum amount, USD 5 or KHR 20,000.

Time deposits:

There are three time deposits: three months, six months, and twelve months. The minimum amount is USD 25 or KHR 100,000.



Prasac's Clients

RURAL COMMUNITY

Our clients are village households with repayment capacity that constitute up to 90% of all households located in rural areas where bad roads and absence of facilities and utilities prevail. The majority of the clients are involved in rice production and farming. At least one person of such household is working in the semi-subsistence village economy by employing some productive assets of the household, such as land, tools, livestock and so forth. Cash income is mainly generated from the sale of access rice or other food items (i.e. food what is not consumed by the household), but also from trading or service activities.

MICRO ENTREPRENEUR

Apart of rural people who generate income from rice production as well as from farming PRASAC also targeting to micro-enterprises that produce (or offer services) predominantly to the market. The large majority of them are sole proprietorships where family members help out in the running of the business. They are mainly located in market centres that are located in or nearby district, provincial centre, and few in the villages. They have few employees and they are normally family members.



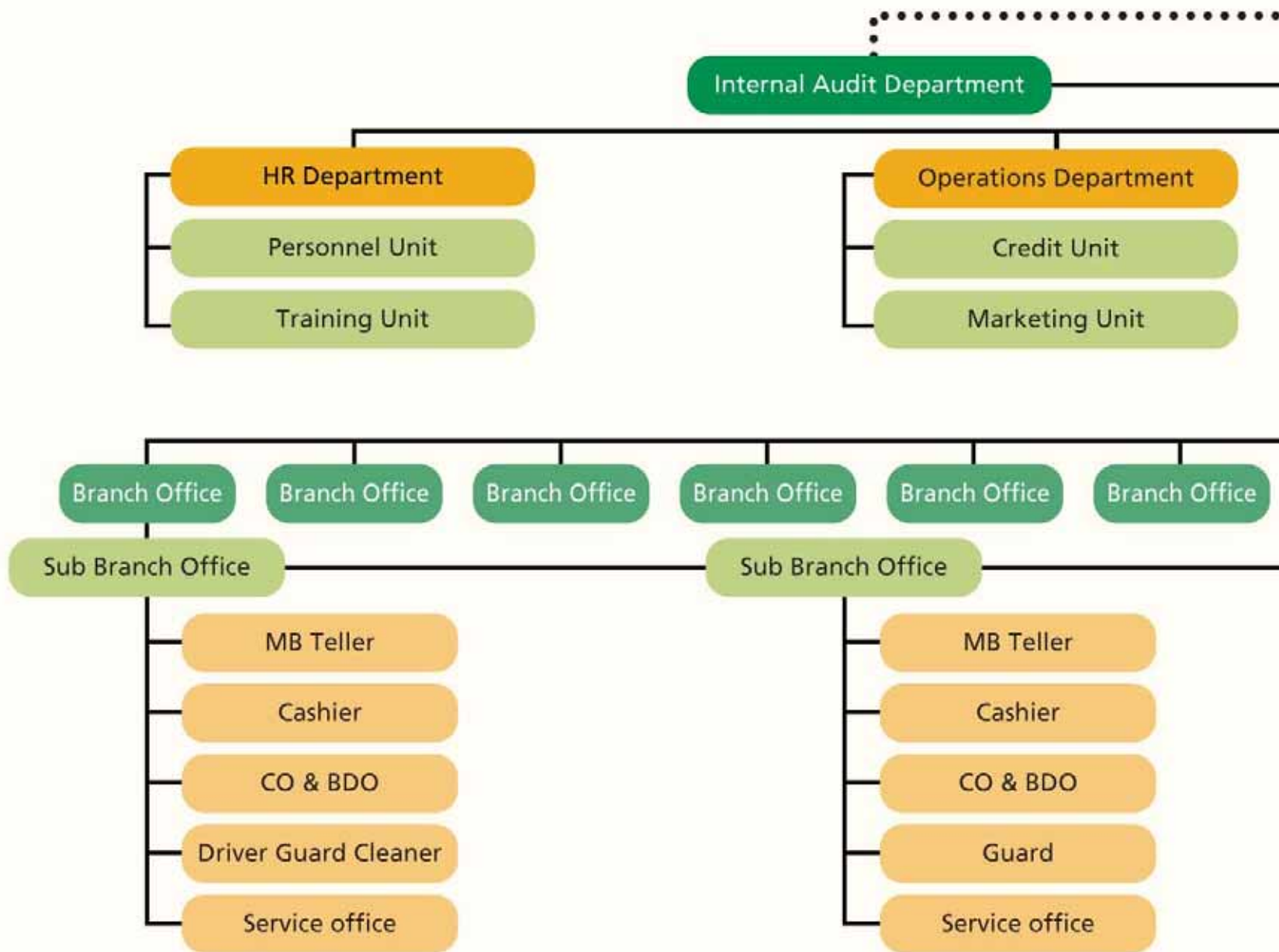
Shareholders & Alliance

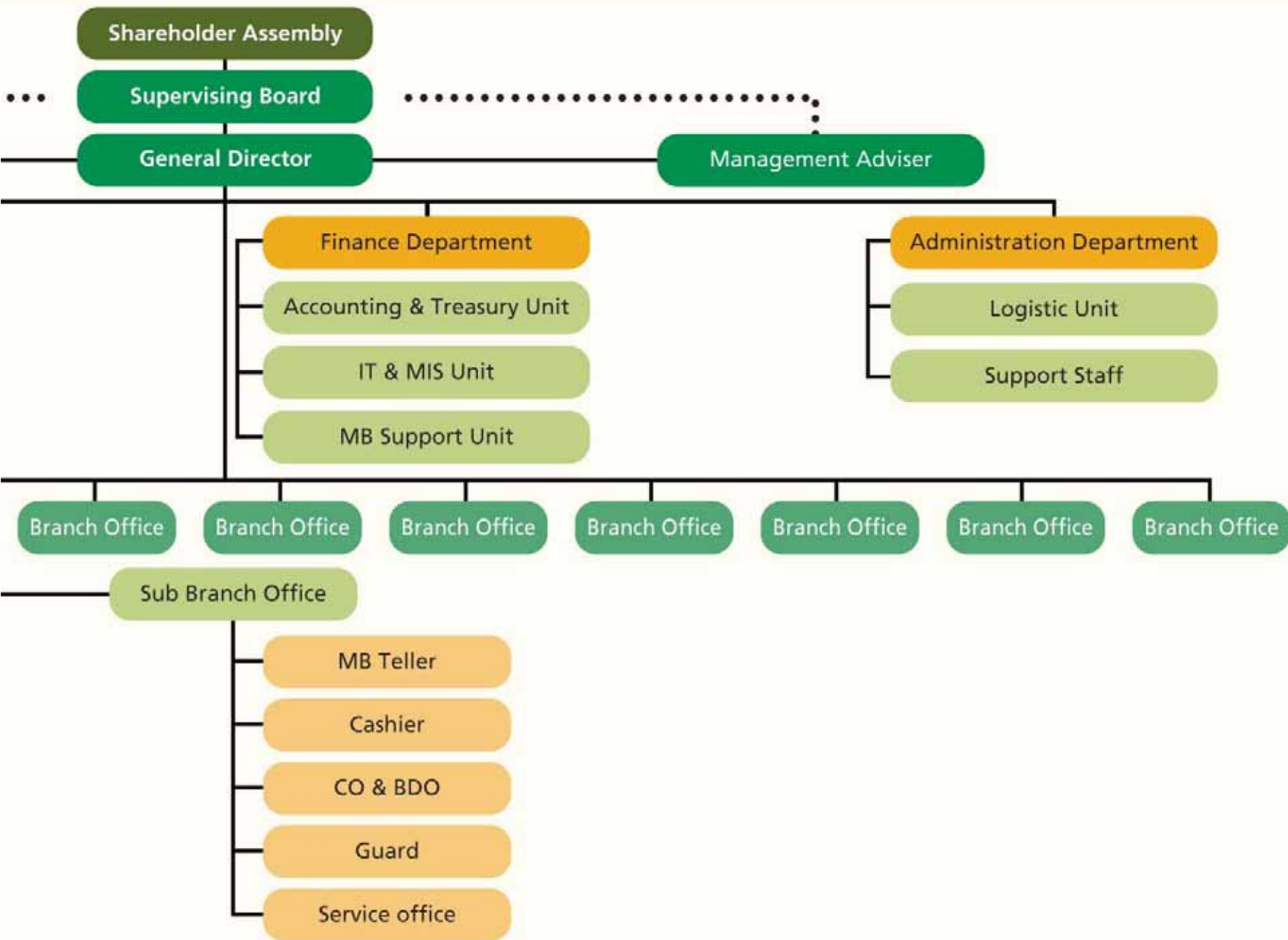
The share capital of PRASAC MFI is 250 Million KHR (about 61,000 USD) fully paid in by its incorporators. PS Co (PRASAC Staff Company Ltd) has paid in 5% and CRDF (Cambodia Rural Development Foundation) 95% of the share capital.

According to 'Prakas No B 700-06 on Licensing of Micro-Finance Institutions' the applicant must be incorporated as a limited liability company (or a cooperative) with a minimum registered capital of 250 million KHR. For that purpose initial incorporators had to be identified to incorporate a company. Therefore, PRASAC project created a temporary legal entity, an NGO called CRDF, which got its funds from the project budget. Together with PS Co

CRDF incorporated PRASAC MFI Ltd in August 2004, and it received its Microfinance license in November 2005. PRASAC MFI Ltd is now one of the biggest fully licensed MFIs in Cambodia; having a governing structure with a Supervising Board appointed by the shareholders assembly, an Executive Board and professional staff; an audited track record of continuous profitable operations since 2001 and 100% funding through subsidised and commercial loans. Thereby, shares in PRASAC MFI Ltd have a commercial value and will be attractive for investors.

PRASAC planned to increase its share capital to Riel 10 billion in 2006 through out share mission.





Supervising Board

MR. CHEA HANG

Chairman of Supervising Board

MR. CHEA HANG obtained his Bachelor in Management in 1997 and Master of Business Administration in 2003. He started working with PRASAC in 1998, by starting from Accountant of branch and was later promoted to Chief Accountant and Assistant of Project Administrator.

He has been working with Heng Ngoun Company as Finance and Administration Consultant, and also as lecturer of University.



MR. OUM SAM OEUN

Member of the Supervising Board

MR. OUM SAM OEUN obtained a Diploma in Accounting and Commerce in 1988 and holds a Bachelor degree in Business Management and now pursuing for MBA. He used to work as chief accounting officer of Takeo Province commerce department. Since 1995 he has worked with PRASAC credit program and he has attended several training courses related to microfinance operations.



MR. DIETER TRENKER

Member of the Supervising Board

Mr. Dieter Trenker obtained his Dipl. Ing. Agr. 1960 and his Master in Agricultural Engineering 1973. He attended several training courses in Microfinances in the Creditsector and practiced this knowhow since 1962 in different projects in several countries in Africa and Asia. His last practical participation in Microfinances happened in Cambodia in the Framework of PRASAC-II from the year 1995 - 2003.

Executive Board

SIM SENACHEERT *General Director*

SIM SENACHEERT obtained Diploma in Accounting and Finance in 1994, holds a Bachelor degree in Business Administration and presently finalizing his Master Degree. Since 1995 he has attended several training courses related to microfinance operations and management. He used to work in banking sector and he started working with PRASAC since 1995 to 2002.

He started as Credit Officer and was promoted to Branch Manager and later to Finance Director. He used to hold positions of Branch Manager, Operations Manager, and Deputy CEO in another MFI before joining PRASAC as General Director since 2003.



YIM SOKHEN *Operations Director*

Yim Sokhen obtained a Bachelor degree in Business Administration in 1994 and presently finalizing his Master Degree. He has attended several training courses related to microfinance.

He has more than ten years experience in microfinance, he joined PRASAC in 1996 as credit officer, district supervisor, branch manager, and was promoted to be Operations Director in 2003.



UTH SOEURNG *Finance Director*

UTH SOEURNG obtained a Bachelor in Economic in 2000 and obtained a Master degree in accounting and finance in 2002. He joined PCA Internal Audit department in 2002 and he was promoted to be Finance Director in 2004.



SOK SOKUNTHEA *Human Resource Director*

Sok Sokunthea obtained a Bachelor degree in Agricultural Economic in 1993 and now pursuing for MBA. She has attended several training courses related to microfinance.

She has more than ten year experience in microfinance by starting from credit officer, district supervisor, and senior training coordinator. She joined PRASAC in 1995 as credit officer, district supervisor, senior training coordinator, and was promoted as HR Director since 2003.



OUK SAROEUNG *Internal Audit Director*

Ouk Saroeung obtained a Bachelor degree in Banking in 1989 and now finalizing his MBA. Since 1995 he participated in several training courses related to microfinance.

He used to work in banking sector and has more ten year experience in microfinance. He joined PRASAC in 1995 and he was promoted to be Audit Director in 2003.

Financial Transparency Award 2005

PRASAC microfinance institutions, has won the Consultative Group to Assist the Poor (CGAP) 2005. Financial Transparency Award for their demonstrated commitment to financial transparency. PRASAC microfinance institutions received its Transparency Award prize from Adam Sack, IFC Mekong Project General Manager, during a microfinance event where IFC also announced its partnership with the Cambodia Microfinance Association (CMA).

In its second year, the CGAP Financial Transparency Award drew 175 applications from 57 countries worldwide. Cambodia is the only country where there has been more than one Transparency Award winner, in both first and second rounds of the competition, and has been the best performer in the Award.

"The institutions which participated in this year's competition are doing more than improving the world of microfinance; they are helping make microfinance institutions' performance better understood by the general public, a key step to building more inclusive financial systems for the poor," said Elizabeth Littlefield, CGAP CEO and World Bank director.

Applicants were judged according to their compliance with international disclosure guidelines, including industry-specific CGAP Disclosure Guidelines and the widely-accepted IFRS, or International Financial Reporting Standards.

Ultimately, organizers believe that all microfinance institutions should be able to receive the Financial Transparency Award. "CGAP is proud to sponsor the award and invites everyone in the microfinance industry and beyond including investors, policymakers, and regulators to learn what it says about the



institutions that have earned it", said Patricia Mwangi, who manages the award.

In some markets, microfinance institutions are stronger and more profitable than leading banks. The Microfinance Information Exchange, the Bloomberg of microfinance, now reports on more than 600 such institutions, several of which boast "5-diamond" ratings.

The Consultative Group to Assist the Poor (CGAP) is a resource center for the entire microfinance industry, housed at the World Bank, setting standards, offering technical and advisory services, training, and

information on best practices, in addition to providing funding for innovative projects. Its 33 members including bilateral, multilateral and private donors are committed to building more inclusive financial systems that work for the poor. At the Sea Island Summit in 2004, the G8 called on CGAP to lead a global initiative on microfinance and endorsed CGAP's Key Principles of Microfinance.

For more information about the Financial Transparency Award, please visit www.cgap.org.

Report Highlight



General Director's Report

This is the first annual report of PRASAC MFI Ltd after the completion of its transformation from a Credit Component into a licensed Microfinance Institution. It is a great pleasure to report the achievement of PRASAC MFI for the year end 2005 through this first annual report.

By the time of closure of PRASAC project, PRASAC MFI Ltd., formerly known as PCA, was known as a poor microfinance operator in terms of poor management, bad portfolio quality, and weaknesses in many operational aspects. Now, I would like to admit that the rumors were true. When a new



management was appointed in late 2003, we realized that swift corrective actions had to be taken, otherwise, PRASAC would be a failure. And if PRASAC fails, all stakeholders would suffer from this failure. By knowing this negative impact, we were firmly committed to revert PRASAC to a respected, leading and professionally managed MFI by following all best practices and high professional and moral standards on all operational levels.

Therefore, the year 2005 was not only a consolidation, but also a year of strong growth, which was yet another year of continued growth and consolidation of portfolio and operations as a whole. We spent almost all of our resources and times in consolidation of loan portfolio quality and operations, but we were also able to attain sustained growth in total assets of 44% from KHR 36 Billion to KHR 52 Billion compared with the financial year 2004. The gross loan portfolio increased by 39% while the active clients increased by 13% compared with the year 2004. Along with this growth, the personnel increased by 28% and the office network increased by 28% from 39 to 50 office networks and by expanding operational areas from 6 provinces to 11 and reaching to more than 5,000 villages.

There was strong growth in loan portfolio in 2005, but at the same time

the loan portfolio quality was also improved considerably. The portfolio at-risk ratio was decreased from 5.5% in 2004 to 0.5% at the end of 2005 by writing of the remaining bad loans disbursed in 2003 and before. For the same reason the loan loss ratio also decreased by 71% from 11% to 3% compared with 2004. Enhanced provision for loan losses, risk coverage increased from 159% to 790% reflecting 397% increased to prevent unanticipated losses. It's worth mentioning, that both portfolio-at-risk ratio and loan loss ratio on all new loans disbursed from 2004 remains less than 0,5%.

Since beginning of 2004 PRASAC MFI has transformed itself to a financial viable and sustainable MFI. As a result, at the end of the year 2005 PRASAC MFI reached the Operational Self-Sufficiency at the rate of 138%. The Return on Equity (ROE) and Operational Self-Sufficiency (OSS) increased from 6.3% to 6.9% and from 129% to 138% in 2004 and 2005 respectively. An increase of OSS indicates the independency of PRASAC MFI after the completion of its transformation.

Staff productivity improved by increasing the number of active clients per staff member from 84 active clients per staff to 90 active clients per staff in 2004 and 2005 respectively. The number of active clients per credit

officer also increased from 158 in 2004 to 169 in 2005. The yield on loan portfolio increased from 29.7% in 2004 to 33.6% in 2005. The increase caused by the improvement of loan portfolio quality and improvement of asset utilization i.e. the rotation of portfolio which increased from 158% in 2004 to 180% in 2005. Though the staff productivity improved in 2005, the efficiency did not yet improve as per plan. The operating costs ratio increased from 17.7% in 2004 to 21.3% in 2005 and the total expense ratio increased by 8% from 24% to 26%.

Endorsing our commitment to transparency and accuracy in disclosure of information to the public, in 2005, a first ever-rating was conducted by an international independent agency. The rating grade was alpha minus (6 out of 10 points). The rating agency affirmed that "PRASAC has shown good resilience to recover from a fraud-ridden period of 2002-03 to become a professional microfinance institution. The organization has good performance on managerial and financial parameters, while its performance on governance is reasonable". The Consultative Group to Assist the Poor (CGAP) awarded Top Award on Financial Transparency Award for the year 2005 to PRASAC MFI as one of five among 175 contesting financial institutions from 57 countries around the globe. The rating grade as well as top award received was not important as such, but the important aspect is to provide a verifiable message to the public that PRASAC MFI is committed to implement transparency and good governance in all our operations.

Refinancing is the main constrain preventing MFI to grow for the moment. However, thanks to our favorable achievements and commitments, we managed to build strategic partnership with several Developmental Financial Institutions such as ADA, BlueOrchad, Incofin, and Oikocredit.

Although we have been reaching remarkable achievements in the year 2005, we are still facing many challenges such as improving our outreach to more people, offering diversified

services to clients as per their needs, increasing efficiency and productivity so that the costs for the end-borrowers can be lowered, increasing profitability in order to attract investors, especially local investors. For the next coming years, we will bear all these challenges in mind and will use it as driving forces in order to keep us growing and reaching unserved clients in the remote areas and urban clients as well.

However, to mobilize savings from the public requires strong institutional capacity which is one of our weaknesses for the time being. Therefore, our plan is to mobilize strategic shareholders with financial depth as well as financial experience and expertise to take over the ownership. Replacing CRDF with real investors will eventually complete the process of transforming a donor funded project component to an independent, financially viable private company.

In conclusion, our success has been supported by several factors such as enabling environment, regulations, and support from all stakeholders. Therefore, I want, on behalf of PRASAC MFI, to express my sincere thanks to all these stakeholders such as customers for their loyalty and having credit discipline, our team for their dedications, hard works, and professionalism, supervising board for their supports

and guidance, all development financial investment agencies for providing us loans to expand our outreach, and all other stakeholders, especially, the EC, the NBC, and all other government agencies who contributed to this success. And finally, I do strongly hope that all stakeholders will continue supporting us to reach our vision and mission.



SIM SENACHEERT,
General Director, PRASAC MFI Ltd.,

Management Advisors Report

The Management Advisers task has two main areas of responsibilities. First, support to institutionalization i.e. finalization of the privatization process and second, a more traditional management support. It's a great pleasure to report about the achievements on both fields during 2005.

PRASAC MFI Ltd has closed its first fiscal year as an independent micro finance institution. It all started in 1995 as three separate credit components of three different rural development programmes supported by the European commission. From year 2000 these three programmes were combined to PRASAC II, and consequently to one credit component. An early strategic decision was taken to institutionalize the credit activities to an independent, licensed MFI. The first step of this plan was the formation of PRASAC Credit Association (PCA). It got its own governance structure and management, separated from PRASAC II programme. It established a separate head office and branches were separated from the programme offices. It also established its own accounts separately audited by recognized external auditors. Since then, further significant transformation steps have taken place.

The company itself was formed and registered in August 2004 with two incorporators, the PRASAC Staff Company (PSCo) and a temporary trust fund called Cambodia Rural Development Foundation (CRDF). PRASAC MFI received its license to operate as a micro finance institution from December 2004. The basis for further actions to be taken in 2005 was thereby firmly established.

The main activities in 2005 were to take over the ongoing operations and the funding from the predecessor PCA.

The handover of ownership of assets of PRASAC II programme at its closure in 2003 did not include the PCA assets, which remained property of the EC. In May 2005 these assets and liabilities were formally handed over to the Royal Government of Cambodia (RGC) for immediate, irrevocable and permanent transfer to PRASAC MFI. A three-party MoU was signed by the EC as donor, by RGC as transitory beneficiary and by PRASAC as ultimate recipient. At the same time the EC handed over the credit funds to the RGC, on conditions that the funds will be made available as a Subordinated Loan to PRASAC MFI Ltd. A second MoU for transfer of ownership of Funds was signed by the EC and the RGC. A separate Subordinated Loan Agreement, forming an integrated part of this MoU was signed by the RGC and PRASAC MFI. Both MoUs and the debt agreement took effect from 1.1.2005. Essential in this context is that the values of the transfers were fixed in the Audited Financial Statements of PCA as per 31.12.2004, now forming the opening balances of the accounts of PRASAC MFI Ltd from 01.01.2005. Previous PCA performances, i.e. audited financial statements starting from 2001 now form a historic track record of PRASAC MFI.

PRASAC MFI Ltd thereby got a flying start with a staff of 372, fully funded operations with an outstanding

portfolio of about 31.5 Billion KHR (about 7.9 MUSD) to 73,000 clients and a total balance of 34.67 BKHR (about 8.7 MUSD).

Later in 2005 discussions started on the next phase, i.e. increasing share capital by issuing shares to investors and at the same time a replacement of the temporary owner, the CRDF. By end of the year of 2005 the strategy was set down and proposed to the Annual Shareholders meeting. Implementation started in 2006, as soon as the Financial Statements 2005 was audited and results from the first year as independent MFI could be established.

Regarding the management support, it can be reported that funds are utilized and managed as stipulated in its Bylaws and the subordinated loan agreement with RGC. Credit products, policies and procedures are continuously developed and improved, control mechanisms are in line with the licensing requirements of the NBC and in line with the spirit of the PRASAC Financing Agreement, internationally accepted standards and good practices.

Lending procedures comprising loan application, appraisal, decision-making, disbursement, monitoring and collection are applied properly, and performance of all staff at head office and branch level is supervised in

accordance with good practices. Internal and external rules and regulations regarding proper use, control and reporting on working activities, credit funds and financial activities are adhered to and strategic business plans are constantly updated to develop the business potential of PRASAC MFI. Correctness and integrity of clients' information are maintained, human resources are developed by training and team-building; and, generally speaking the PRASAC MFI resources are used efficiently and within the limits as foreseen and conditions upon which they have been provided. All this has been achieved with a minimum intervention of the MA.

PRASAC MFI Ltd has under its first operative year as an independent MFI successfully achieved its ambitious goals and high expectations. The hard work, integrity and high professional and moral standard of the professional and the committed management and entire staff are worth to be recognized. I'm proud of being part of such a successful team.



TOM VON WEISSENBERG
Management Adviser



Statement of the Supervising Board

The Supervising Board ("SB") submits its report and the audited financial statements of PRASAC for the year ended 31 December 2005. This is the first year of incorporation of PRASAC.

PRINCIPAL ACTIVITY

PRASAC, a licensed micro-finance institution ("PRASAC"), was incorporated in Cambodia and registered with the Ministry of Commerce as a private limited liability company under register number Co-6931/04P dated 12 August 2004. Its activities are an offshoot of the PRASAC Credit Association (PCA), which was managed by and funded by the European Union (EU). PCA was initially established in 1995 as a support program for the agriculture sector in Cambodia, covering six provinces around Phnom Penh.

PRASAC was established based on the asset transfer document dated 31 December 2004, whereby the net assets of PCA was transferred to PRASAC as subordinated debt, as discussed in note 15 to these financial statements.

PRASAC obtained its renewed license from the Central Bank (the National Bank of Cambodia ("NBC")) to conduct business as a micro-finance institution in the Kingdom of Cambodia as set out in Central Bank's register No. 10 dated 15 November 2004. The license will expire on 1 December 2007.

PRASAC is engaged primarily in the provision of micro-finance services to the rural population of Cambodia through its headquarters in Phnom Penh and various provincial offices in the Kingdom of Cambodia.

RESULTS

The results of operations for the year ended 31 December 2005 are set out in the income statement on page 7.

RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the year under review.

BAD AND DOUBTFUL LOANS

Before the financial statements of PRASAC were drawn up, the SB took reasonable steps to ascertain that appropriate action had been taken in relation to the writing off of bad loans and the making of provision for bad and doubtful loans. They satisfied themselves that all known bad loans had been written off and that adequate provisions have been made for bad and doubtful loans.

At the date of this report, the SB is not aware of any circumstances which would render the amount of the provision for bad and doubtful loans in the financial statements of PRASAC inadequate to any material extent.

CURRENT ASSETS

Before the financial statements of PRASAC were drawn up, the SB took reasonable steps to ensure that any current assets, other than loans

which were unlikely to be realized in the ordinary course of business at their value as shown in the accounting records of PRASAC, have been written down to an amount which they might be expected to realize.

At the date of this report, the SB is not aware of any circumstances which would render the values attributed to the current assets in the financial statements of PRASAC misleading in any material respect.

VALUATION METHODS

At the date of this report, the SB is not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of PRASAC misleading or inappropriate in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of PRASAC which has arisen since the end of the year which secures the liabilities of any other person, or
- (b) any contingent liability in respect of PRASAC that has arisen since the end of the year other than in the ordinary course of banking business.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of PRASAC for the year ended 31 December 2005 were not, in the opinion of the SB, 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 the SB, to substantially affect the results of the operations of PRASAC for the current year in which this report is made.

RESPONSIBILITIES OF THE SB IN RESPECT OF THE FINANCIAL STATEMENTS

The SB is responsible for ensuring that the financial statements are properly drawn up so as to give a true and fair view of the financial position of PRASAC as at 31 December 2005, and of the results of its operations and its cash flows for the year then ended. In preparing these financial statements, the SB is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) comply with the disclosure requirements of the National Bank of Cambodia ("Central Bank") or, if there has been any departure in the interests of true and fair presentation, ensure this has 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;
- v) set overall policies for PRASAC, ratify all decisions and actions by the SB that have a material effect on the operations and performance of PRASAC, and ensure they have been properly reflected in the financial statements.

The SB confirms that PRASAC has complied with these requirements in preparing the financial statements.

On behalf of the SB,



Name: Chea Hang

Position: Chairman

Date: 16 March 2006

Report of the Auditors to the Shareholders of Prasac Microfinance Institution

We have audited the accompanying balance sheet of PRASAC Microfinance Institution Ltd ("PRASAC") as of 31 December 2005, and the related statements of income and cash flows for the year ended. These financial statements are the responsibility of the PRASAC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

This report, including the opinion, has been prepared for and only for the shareholders of PRASAC Microfinance Institution Ltd and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, except where expressly agreed by our prior consent in writing.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe

that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements set out on page 28 to page 44 give a true and fair view, in all material respects, of the financial position of PRASAC as of 31 December 2005, and of the results of its operations and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and guidelines issued by the Central Bank.

Prasac Microfinance Institution (Cambodia) Limited



PRICEWATERHOUSECOOPERS (CAMBODIA) LIMITED

Date: 16 March 2006

Phnom Penh, Kingdom of Cambodia

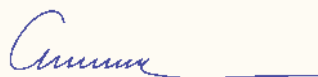
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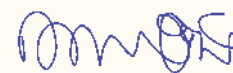
Balance Sheet

As at 31 December 2005

| | | 31 December 2005 | 31 December 2004 (See Note 15) |
|---|------|---------------------|--------------------------------------|
| | Note | Riel '000 | Riel '000 |
| ASSETS | | | |
| Cash in hand | 3 | 2,485,100 | 1,023,387 |
| Balances with banks | 4 | 2,361,573 | 1,163,406 |
| Balances with Central Bank | 5 | 100,883 | 726,211 |
| Loans and advances to customers | 6 | 44,548,983 | 31,449,490 |
| Other assets | 7 | 1,963,921 | 1,687,571 |
| Deferred tax assets | 8 | 136,680 | - |
| Property, plant and equipment | 9 | 766,628 | 256,907 |
| TOTAL ASSETS | | 52,363,768 | 36,306,972 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| LIABILITIES | | | |
| Customers' deposits | 10 | 1,577,271 | 792,033 |
| Borrowings | 11 | 10,936,550 | - |
| Severance benefit obligation | 12 | 270,450 | 133,996 |
| Current income tax liabilities | | 631,999 | - |
| Accruals and other liabilities | 13 | 1,554,032 | 706,270 |
| <i>TOTAL LIABILITIES</i> | | 14,970,302 | 1,632,299 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 14 | 250,000 | - |
| Subordinated debt | 15 | 34,674,673 | - |
| Credit fund | | - | 14,747,186 |
| Operating expenses fund | | - | 6,618,587 |
| Property and equipment fund | | - | 687,826 |
| Retained earnings | | 2,468,793 | 12,621,074 |
| <i>TOTAL SHAREHOLDERS' EQUITY</i> | | 37,393,466 | 34,674,673 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 52,363,768 | 36,306,972 |



Name: SIM Senacheert
Position: General Director
Date: 16 March 2006




Name: Uth Soeurng
Position: Finance Director
Date: 16 March 2006

The accompanying notes on pages 28 to 44 form an integral part of these financial statements.

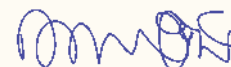
Statement of changes in shareholder's equity

For the year ended 31 December 2005

| | Share Capital Riel '000 | Subordinated debt Riel '000 | Retained Earning Riel '000 | Total Riel '000 |
|---|----------------------------|--------------------------------|-------------------------------|--------------------|
| Transferred from PCA on 1 January 2005 (see note 15) | - | 34,674,673 | - | 34,674,673 |
| Issue of share capital during the year | 250,000 | - | - | 250,000 |
| Net income for the year | - | - | 2,468,793 | 2,468,793 |
| As at 31 December 2005 | 250,000 | 34,674,673 | 2,468,793 | 37,393,466 |



Name: SIM Senacheert
Position: General Director
Date: 16 March 2006



Name: Uth Soeurng
Position: Finance Director
Date: 16 March 2006

The accompanying notes on pages 28 to 44 form an integral part of these financial statements.

Income Statement

For the year ended 31 December 2005

| | Note | 31 December 2005 Riel '000 |
|--------------------------------------|------|----------------------------------|
| Interest income | 17 | 13,322,905 |
| Interest expense | 18 | (351,715) |
| NET INTEREST INCOME | | 12,971,190 |
| Fee and commission expense | 19 | (142,603) |
| Other operating income | 20 | 327,529 |
| OPERATING INCOME | | 13,156,116 |
| Provision for bad and doubtful loans | 6 | (158,733) |
| Operating and other expenses | 22 | (9,964,529) |
| | | (10,123,262) |
| | | 3,032,854 |
| Grant income | 21 | 53,137 |
| INCOME BEFORE INCOME TAX | | 3,085,991 |
| Income tax expense | 23 | (617,198) |
| NET INCOME FOR THE YEAR | | 2,468,793 |



Name: SIM Senacheert
Position: General Director
Date: 16 March 2006



Name: UTH Soeurng
Position: Finance Director
Date: 16 March 2006

The accompanying notes on pages 28 to 44 form an integral part of these financial statements.

Cash flow Statement

For the year ended 31 December 2005

| | Note | 31 December 2005 Riel' 000 |
|--|-----------|-------------------------------|
| OPERATING ACTIVITIES | | |
| INCOME BEFORE INCOME TAX | | 3,085,991 |
| Adjustments for: | | |
| <i>Net movement in provision for retirement and severance benefits</i> | | 136,452 |
| <i>Depreciation & amortization</i> | 9 | 216,280 |
| Provision for bad and doubtful loans | 6 | 158,733 |
| Loss on disposal of property and equipment | | 7,141 |
| Operating income before changes in operating assets and liabilities | | 3,604,597 |
| Changes in operating assets and liabilities: | | |
| Loans and advances to customers | | (13,258,226) |
| Other assets | | (276,349) |
| <i>Customers' deposits</i> | | 785,238 |
| Accruals and other liabilities | | 847,762 |
| Net cash used in operations | | (8,296,978) |
| INCOME TAXES PAID | | (121,878) |
| Net cash outflow from operating activities | | (8,418,856) |
| INVESTING ACTIVITIES | | |
| Statutory deposit and reserve account with Central Bank | | (82,110) |
| Purchase of property, plant and equipment | | (733,142) |
| Net cash outflow from investing activities | | (815,252) |
| FINANCING ACTIVITIES | | |
| Issue of share capital | | 250,000 |
| Proceeds from borrowings | | 10,936,550 |
| Net cash inflow from financing activities | | 11,186,550 |
| Net increase (decrease) in cash and cash equivalent | | 1,952,442 |
| Cash and cash equivalents at the beginning of year | | 2,913,004 |
| Cash and cash equivalents at the end of year | 16 | 4,865,446 |

The accompanying notes on pages 28 to 44 form an integral part of these financial statements.

Note to the Financial Statements for the year ended 31 December 2005

1. BACKGROUND INFORMATION

This is the first year of incorporation of PRASAC. PRASAC, a licensed micro-finance institution ("PRASAC"), was incorporated in Cambodia and registered with the Ministry of Commerce as a private limited liability company under register number Co-6931/04P dated 12 August 2004. Its activities are an offshoot of the PRASAC Credit Association (PCA), which was managed by and funded by the European Union (EU). PCA was initially established in 1995 as a support program for the agriculture sector in Cambodia, covering six provinces around Phnom Penh.

PRASAC was established based on the asset transfer document dated 31 December 2004, whereby the net assets of PCA was transferred to PRASAC as subordinated debt, as discussed in note 15 to these financial statements.

PRASAC obtained its renewed license from the Central Bank to conduct business as a micro-finance institution in the Kingdom of Cambodia as set out in Central Bank's register No. 10 dated 15 November 2004. The license will expire on 1 December 2007.

PRASAC is engaged primarily in the provision of micro-finance services to the rural population of Cambodia through its headquarters in Phnom Penh and various provincial offices in the Kingdom of Cambodia. As at 31 December 2005, the PRASAC had 464 employees.

These financial statements have been approved for issued by the Supervising Board on 16 March 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

Basis of presentation

The financial statements of PRASAC, which are expressed in Cambodian Riel ("Riel"), are prepared under the historical cost convention. PRASAC maintains its accounting records in Riel, the functional currency in Cambodia.

The financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Cambodia. The accounting principles and practices utilized in Cambodia may differ from those generally accepted in countries and jurisdictions other than Cambodia.

The significant accounting policies adopted in the preparation of the financial statements are set out below.

Basis of aggregation

The financial statements include the financial statements of the PRASAC's headquarters and its provincial branches within Cambodia. On aggregation of balances, all significant interbranch transactions and balances are eliminated in full.

Segment information

PRASAC operates within one business segment, commercially oriented micro-finance services, and within one geographical segment, the Kingdom of Cambodia.

Foreign currency translation

PRASAC transacts primarily in and maintains its accounting records in Cambodian Riel ("Riel").

Foreign currency transactions other than Riel are accounted for at the exchange rates prevailing at the date of transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Monetary assets and liabilities denominated in currencies other than Riel at the balance sheet date are translated into Riel at the rates of exchange ruling at that date.

The principal rates used to translate monetary assets and liabilities at the balance sheet date are:

| | 31 December 2005 |
|----------------|-----------------------------|
| Riel/US Dollar | 4,112 |

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and bank balances, demand deposits and short-term highly liquid investments with maturities of or less than 90 days maturity from the date of acquisition and they are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Loans and advance to customers

Loans and advances to customers are stated in the balance sheet at the amount of principal outstanding less any amounts written off and impairment allowance for bad and doubtful loan and advances, including specific and/or general provisions, to reflect the estimated recoverable amount. The principal is calculated on the effective interest rate method, which is based on expected future cash flows of contractual installment payments discounted at prevailing market rates offered for similar loans with similar risk profiles.

Provision for bad and doubtful loans

The adequacy of the provision for bad and doubtful loans is evaluated monthly by management. Factors considered in evaluating the adequacy of the provision include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients, the financial and economic situation of clients, and the performance of loans in relation to contract terms.

The provision for bad and doubtful loans charged to expense is based on management's judgment consistent with the Central Bank's guidelines of the amount necessary to maintain the provision at a level adequate to absorb losses. Presently, the amount of provision is being determined by applying defined percentages to the respective category to which each of the loans belongs, as set out below.

Overdue loans

In accordance with Prakas B 700-51K issued by the Central Bank on 17 February 2000, overdue loans are defined as total outstanding principal where principal or interest is past due unless the payment terms on interest or principal have been adjusted.

The provision will be calculated as a percentage of the loan amount outstanding at the time the loan is classified, excluding accrued interest. The provision shall be recorded in the institution's

| Loan status/classification | Percentage applied (%) |
|---|-------------------------------|
| Loan of one year or less | |
| <i>Standard</i> | |
| Sub standard loans (where repayments and/or interest are more than 30 days overdue) | 10 |
| Doubtful loans (where repayments and/or interest are more than 60 days overdue) | 30 |
| Loss (where repayments and/or interest are more than 90 days overdue) | 100 |
| Loan of more than one year | |
| <i>Standard</i> | |
| Sub standard loans (where repayments and/or interest are more than 30 days overdue) | 10 |
| Doubtful loans (where repayments and/or interest are more than 180 days overdue) | 30 |
| Loss (where repayments and/or interest are more than 360 days overdue) | 100 |

An additional general provision of bad and doubtful loans is set at the rate of 2.5% on loans outstanding as at year end, excluding loans to related parties.

accounts and charged to the income statement for the month during which the corresponding loan has been classified as less than standard. The analysis of overdue loans is set out in the note 6.

Loans are not restructured when it has been classified as less than standard.

Other receivables

Other receivables are carried at estimated realisable value. Property, plant and equipment.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation over the useful lives.

Years

| | |
|------------------------------------|-------------------------|
| Building/Office improvements | 5%- straight line |
| Motor vehicles | 25% - declining balance |
| Motorcycles | 25% - declining balance |
| Computer and Peripherals, software | 50% - declining balance |
| Communication Equipments | 25% - declining balance |
| Office Furniture and Fixtures | 25% - declining balance |

Expenditure for maintenance and repairs that do not extend the useful lives of assets are expensed to the income statement in the year in which they are incurred.

Gains or losses on the sale of property and equipment are recognized upon the disposal of such assets.

Fully depreciated property and equipment are retained in the financial statement until disposal or write-off.

Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the specific software and bring it to use. These costs are amortized over the period with compliance to computer and peripherals depreciation rate and method. Costs associated with development or maintaining computer software program are recognized as expenses when incurred.

Customer Deposits

Deposits from customers are stated at placement value and adjusted for accrued interest.

Provision

A provision is recognized in the balance sheet when PRASAC has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability.

Provision of retirement and severance pay

- i) Half of an employee's (including those employees from PCA) monthly salary per year is accrued for the provision of retirement and severance pay.
- ii) An employee who reaches the age of retirement is entitled to full entitlement of one month's current salary for each year of service rendered. The age of retirement for male employees is 60 years old and 55 years for female employees.
- iii) An employee who resigns before retirement date is entitled to half month's current salary for each year of service rendered.

- iv) The differences between provision for retirement and severance benefits and realized amount will be charged to the income statement when incurred.

Taxation

Taxes are calculated on the basis of the current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of the income tax expense will be made following an inspection by the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income taxes are calculated using a principal tax rate of 20%.

Income and expense recognition

Interest income earned on loans is recognised on an accrual basis taking into consideration the principle amount of loans outstanding. Interest on loans is calculated using the declining balance method on monthly balances of the principle amount outstanding. When a loan is classified as less than standard, the recording of interest as income is suspended until it is realised on a cash basis.

Commission and fee incomes and expenses are recognized in the income statement on an accrual basis.

Operating leases

Operating leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases (net of any incentives received from the lesser) are charged to the income statement on a straight-line basis over the period of the lease.

Fund and grants

Revenue grants are released to the income statement over the periods they are expected to be received as stipulated in their respective grant agreements. Grants received to subsidize technical assistance and training costs are recognized in the income statement in the period in which the eligible expenditure was incurred.

Related parties

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

In accordance with the Law on Banking and Financial Institutions, related parties are defined as parties who hold, directly or indirectly, at least 10% of the capital of PRASAC or voting rights and include any individual who participates in the administration, direction, management or internal control of PRASAC.

Risk management

Financial risk management and policies

By its nature the PRASAC's activities are principally related to the use of financial instruments. The PRASAC accepts funds from its shareholders and lenders and seeks to earn interest margins by lending at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

PRASAC is exposed to risks from changes in market interest rates and in currency exchange rates. The PRASAC manages and assumes such risks by monitoring the market movements of interest and currency exchange rates. There is no hedging currently. The PRASAC does not hold or issue derivative instruments.

Since the majority of the financial assets are short-term and the interest rates are subject to be changed with the market rate, the PRASAC does not use derivative financial instruments to hedge such risk.

Interest rate risk

The interest rate risk is the risk that future movements in market interest rates will affect the results of the PRASAC's operations and its cash flows. Its exposure to interest rate risk relates primarily to its loans and bank deposits.

Foreign currency risk

The PRASAC is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. In accordance with Central Bank's guidelines, PRASAC is limited in foreign currency exposure to a ratio not to exceed 5% per individual currency and 15% of its aggregate net worth. There is no reserve for currency risk of unhedged borrowings which are denominated in United State Dollars (USD). In order to mitigate currency risk, PRASAC use the cash from borrowing in USD to provide loan in USD.

Credit risk

The PRASAC is exposed to credit risk primarily with respect to loans. Such risks are monitored on a revolving basis and subject to an annual or regular follow up visits. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing

these lending limits where appropriate. Management believes that the PRASAC's maximum exposure to credit risk is limited to the carrying amount of loans less provisions for doubtful loans. Loans are also provided to those borrowers that are deemed profitable.

Fair value

Since the majority of financial assets are short-term (maturities of less than one year) with interest close to current market rates, the management believes the fair value of the PRASAC's financial assets do not materially differ from their carrying values.

3. CASH IN HAND

| | 31 December 2005 Riel '000 |
|----------------------|----------------------------------|
| Head Office | 1,218,790 |
| Provincial branches: | |
| Prey Veng | 183,759 |
| Tbong Khmum | 173,583 |
| Kampong Speu | 148,359 |
| Kampong Cham | 126,371 |
| Cheung Prey | 113,848 |
| Kampong Tralach | 84,591 |
| Kong Pisey | 77,618 |
| Neak Loeung | 60,303 |
| Kampong Chrey | 55,201 |
| Prey Kabas | 47,542 |
| Sa ang | 47,233 |
| Takeo | 37,848 |
| Kampong Popil | 29,014 |
| Svay Rieng | 26,160 |
| Kampot | 19,169 |
| Kien Svay | 13,797 |
| Boribo | 10,526 |
| Kampong Chhnang | 8,054 |
| Sithor Kandal | 3,054 |
| Chantrea | 280 |
| | <u>2,485,100</u> |

4. BALANCES WITH BANKS

| | 31 December 2005 Riel '000 |
|---|----------------------------------|
| <i>Current accounts, without interest</i> | |
| Foreign Trade Bank of Cambodia | 2,361,573 |
| | <u>2,361,573</u> |

5. BALANCES WITH CENTRAL BANK

| | 31 December 2005 Riel '000 |
|---------------------------|----------------------------------|
| Reserve requirement | 69,610 |
| Current account | 18,773 |
| Capital guarantee deposit | 12,500 |
| | <u>100,883</u> |

Following the Central Bank's Prakas No. B700-006 on the Licensing of Micro-Finance Institutions, PRASAC maintains an amount equal to 5% of its registered capital of Riel 250,000,000 as at 31 December 2005 in a permanent non-interest earning account with Central Bank.

6. LOANS AND ADVANCES TO CUSTOMERS

A) Analysis by type of loan products

| | 31 December 2005 Riel '000 |
|--|----------------------------------|
| Group loan | 11,232,784 |
| Individual loan | 34,611,643 |
| | <u>45,844,427</u> |
| Provision for bad and doubtful loans (see g) | (1,295,444) |
| | <u>44,548,983</u> |

| Type of loan | Interest rates | Repayment terms | Tenure |
|-----------------|------------------------|--|----------------|
| Individual Loan | 2.5% to 3.5% per month | <ul style="list-style-type: none"> ○ Monthly interest and principal ○ Monthly interest and every 2 or 3 months for principal ○ End of Term for principal and interest | 4 to 24 months |
| Group Loan | 3% to 3.5% per month | <ul style="list-style-type: none"> ○ Monthly interest and principal ○ Monthly interest and every 2 or 3 months for principal ○ End of Term for principal and interest | 4 to 12 months |

The principal can be repaid at any time without any penalty except for bigger (>Riels 8,000,000) loans which require at least four months of scheduled interest to be paid.

B) Analysis by performing and non-performing loans

| | 31 December 2005 Riel '000 |
|--------------------------|----------------------------------|
| <i>Standard loans</i> | |
| ○ secured | 34,427,236 |
| ○ unsecured | 11,181,971 |
| <i>Substandard loans</i> | |
| ○ secured | 62,940 |
| ○ unsecured | 1,200 |
| <i>Doubtful loans</i> | |
| ○ secured | 26,170 |
| ○ unsecured | 862 |
| <i>Losses</i> | |
| ○ secured | 95,296 |
| ○ unsecured | 48,752 |
| | 45,844,427 |
| | 45,844,427 |

C) Analysis by relationship

Non related parties

Related parties:

Management

Staff

31 December
2005
Riel '000

45,431,539

59,751

353,137

45,844,427

All staff members have access to one loan from PRASAC with loan conditions as follows:

- Loans to purchase motor cycles:
 - Loan amount up to KHR 4.4 million or USD1,100
 - Interest rate: 0%
 - Term: 24 months
- General purposes:
 - Loan amount is equal to up-to six-month-salary
 - Interest rate: 12% p.a.
 - Term: 24 months

D) Analysis by maturity

Less than 1 month
From 1 month to 3 months
From 3 months to 1 year
Over 1 year

31 December
2005
Riel '000

155,526

5,770,350

31,453,622

8,464,929

45,844,427

E) Analysis of gross loans by provinces

| | 31 December 2005 Riel '000 |
|-----------------|----------------------------------|
| Head Office | 4,064 |
| Kampong Cham | 3,511,118 |
| Cheung Prey | 3,767,371 |
| Tbong Khmum | 2,684,358 |
| Sithor Kandal | 254,164 |
| Kampong Chhnang | 2,166,961 |
| Kampong Tralach | 3,261,685 |
| Boribo | 1,846,743 |
| Takeo | 1,728,526 |
| Prey Kabas | 1,838,688 |
| Kampong Chrey | 4,334,892 |
| Sa ang | 1,972,173 |
| Kampong Speu | 3,563,359 |
| Kong Pisey | 2,950,223 |
| Prey Veng | 2,701,559 |
| Neak Loeung | 3,571,662 |
| Kampong Popil | 1,753,631 |
| Kien Svay | 765,549 |
| Svay Rieng | 1,297,355 |
| Chantrea | - |
| Kampot | 1,870,346 |
| | <u>45,844,427</u> |

F) Analysis of gross loans by currencies

| | 31 December 2005 Riel '000 |
|------------|----------------------------------|
| Khmer Riel | 41,158,160 |
| US Dollar | 4,686,267 |
| | <u>45,844,427</u> |

G) The movements in provision for bad and doubtful loans are as follows:

| | 31 December 2005 Riel '000 |
|---|----------------------------------|
| Specific provision in accordance with Central Bank's guidelines | 158,571 |
| General provision | 1,136,873 |
| Balance at end of the year | <u>1,295,444</u> |

H) The movements in provision for bad and doubtful loans are as follows:

| | Specific Provision Riel '000 | General Provision Riel '000 | Total Riel '000 |
|---|------------------------------------|-----------------------------------|--------------------|
| Balance at the beginning of year (based on the assets transferred from PCA-see note 15) | 1,581,462 | 961,550 | 2,543,012 |
| (Written back)/provision for the year | (16,590) | 175,323 | 158,733 |
| Written off | (1,406,301) | - | (1,406,301) |
| Balance at end of the year | <u>158,571</u> | <u>1,136,873</u> | <u>1,295,444</u> |

7. OTHER ASSETS

| | 31 December 2005 Riel '000 |
|--------------------------------------|----------------------------------|
| Accrued interest income - net | |
| <i>Accrued interest income</i> | 1,822,440 |
| <i>Accrued interest loss reserve</i> | (58,393) |
| Prepaid expenses | 136,048 |
| Advances to staff | 19,001 |
| Others | 44,825 |
| | <u>1,963,921</u> |

8. DEFERRED TAX ASSETS

| | Provision for retirement and severance benefit Riel '000 | Other accrued Staff benefit Riel '000 | Accrued commission to loan's Group Leader Riel '000 | Total Riel '000 |
|---------------------------------|---|---|---|--------------------|
| As at 1 January 2005 | - | - | - | - |
| Charged to the income statement | <u>54,090</u> | <u>63,454</u> | <u>19,136</u> | <u>136,680</u> |
| As at 31 December 2005 | <u>54,090</u> | <u>63,454</u> | <u>19,136</u> | <u>136,680</u> |

9. PROPERTY, PLANT AND EQUIPMENT

| | Office furniture Riel '000 | Vehicles Riel '000 | Motorcycles Riel '000 | Computer and peripherals Riel '000 | Communication equipment Riel '000 | Total Riel '000 |
|---|-------------------------------|-----------------------|--------------------------|--|---|--------------------|
| Cost | | | | | | |
| As at 31 December 2004 (based on the asset transferred from PCA – see note 15) | 395,958 | 199,886 | 436,233 | 479,264 | 100,792 | 1,612,133 |
| Additions | 51,365 | 533,754 | - | 127,193 | 20,830 | 733,142 |
| Disposals | (33,921) | - | (18,917) | (173,723) | (42,206) | (268,767) |
| As at 31 December 2005 | <u>413,402</u> | <u>733,640</u> | <u>417,316</u> | <u>432,734</u> | <u>79,416</u> | <u>2,076,508</u> |
| Accumulated depreciation | | | | | | |
| As at 31 December 2004 (based on the assets transferred from PCA - see note 15) | 284,158 | 185,817 | 399,947 | 399,547 | 85,757 | 1,355,226 |
| Depreciation | 35,815 | 96,467 | 8,845 | 71,280 | 3,873 | 216,280 |
| Disposals | (28,903) | - | (18,661) | (173,207) | (40,855) | (261,626) |
| As at 31 December 2005 | <u>291,070</u> | <u>282,284</u> | <u>390,131</u> | <u>297,620</u> | <u>48,775</u> | <u>1,309,880</u> |
| Net book value | | | | | | |
| As at 31 December 2005 | <u>122,332</u> | <u>451,356</u> | <u>27,185</u> | <u>135,114</u> | <u>30,641</u> | <u>766,628</u> |

10. CUSTOMERS' DEPOSITS

| | 31 December 2005 <u>Riel '000</u> |
|-------------------------|---|
| Certificate of deposits | 211,986 |
| Voluntary savings | 1,365,285 |
| | <u>1,577,271</u> |

| Type of Deposits | Tenure | Interest rates |
|----------------------|-----------|----------------|
| Khmer Riel | | |
| Saving for Staff | unlimited | 8% p.a. |
| Saving for Customers | unlimited | 2.5% p.a. |
| Fixed Deposit | 3 months | 3% p.a. |
| | 6 months | 5.5% p.a. |
| | 12 months | 8% p.a. |
| US Dollar | | |
| Saving for Staff | unlimited | 6% p.a. |
| Saving for Customers | unlimited | 2% p.a. |
| Fixed Deposit | 3 months | 2.5% p.a. |
| | 6 months | 5% p.a. |
| | 12 months | 6.5% p.a. |

i) DEXIA MICRO-CREDIT FUND/ Sub Fund Blue Orchard Debt:

| | |
|-----------------------------------|--|
| Credit limit in original currency | US\$1,000,000 |
| Equivalent in Riel | Riel 4,127,000,000 |
| Effective Date | 1st Disbursement of US\$ 500,000: 12 July 2005 2nd Disbursement of US\$ 500,000: 20 September 2005 |
| Maturity Date | 1st Disbursement of US\$ 500,000: US\$250,000: 12 July 2006 US\$250,000: 12 April 2006 2nd Disbursement of US\$ 500,000: 20 September 2006 |
| Interest Rate | Libor USD (6 months) + 6.75% p.a. |
| Repayment terms | 1st Disbursement of US\$ 500,000: Principal of US\$250,000 on 12 April 2006 and the rest at Maturity; Interest on semester basis (12 January 2006) & final payment on interest at Maturity. 2nd Disbursement of US\$ 500,000: Principal at Maturity Date; Interest on semester basis (20 March 2006) & final payment on interest at Maturity. |

11. BORROWINGS

| | | 31 December 2005 <u>Riel '000</u> |
|--|-------------|---|
| Dexia Micro-Credit Fund/ Sub Fund Blue Orchard Debt | i) | 4,127,000 |
| Appui Au Development Autonome - ADA | ii) | 619,050 |
| Impulse Microfinance Investment Fund | iii) | 4,127,000 |
| Oikocredit, Ecumenical Development Cooperative | iv) | 2,063,500 |
| | | <u>10,936,550</u> |

ii) APPUI AU DEVELOPMENT AUTONOME- ADA

| | |
|-----------------------------------|--|
| Credit limit in original currency | US\$150,000 |
| Equivalent in Riel | Riel 619,050,000 |
| Effective Date | 1 October 2005 |
| Maturity Date | 30 September 2007 |
| Interest Rate | 8% p.a. |
| Repayment terms | Principal at Maturity & Interest on Quarterly Basis. |

iii) IMPULSE MICROFIANCE INVESTMENT FUND

| | |
|-----------------------------------|--|
| Credit limit in original currency | US\$1,000,000 |
| Equivalent in Riel | Riel 4,127,000,000 |
| Effective Date | 21 December 2005 |
| Maturity Date | US\$500,000: May 2006 US\$500,000: November 2006 |
| Interest Rate | 8% p.a. |
| Repayment terms | Principal of US\$500,000 on May 2006 and the rest on November 2006 & Interest on Semi-annual Basis. 1% up front fee of disbursed amount. |
| Swap cost | PRASAC hedge its currency risk of the principal between Euro and US dollar by contracting a swap with KBC Bank. The total cost of USD37,560 to be paid in four equal installment every six months from 15 December 2005. |

iv) OIKOCREDIT, ECUMENICAL DEVELOPMENT COOPERATIVE

| | |
|-----------------------------------|--|
| Credit limit in original currency | US\$1,000,000 |
| Equivalent in Riel | Riel 4,127,000,000 |
| Effective Date | 1st Disbursement of US\$500,000 on 29 December 2005 |
| Maturity Date | June 2007 |
| Interest Rate | 9.5% p.a. |
| Repayment terms | Principal of US\$500,000 on 29 June 2007 and Interest on Semi-annual Basis. 1% up front fee of outstanding debt. |

12. SEVERANCE BENEFIT OBLIGATION

| | 31 December 2005 Riel '000 |
|--|---|
| Balance at beginning of the year (based on the assets transferred from PCA – see note 15) | 133,996 |
| Additions during the year | 138,804 |
| Distribution to employees | (2,350) |
| Balance at end of the year | 270,450 |

13. ACCRUALS AND OTHER LIABILITIES

| | 31 December 2005 Riel '000 |
|--|---|
| Accrued expenses | |
| <i>Commission</i> | 95,680 |
| <i>Bonus/incentives</i> | 606,482 |
| <i>Interest</i> | 184,963 |
| Accrued taxes | |
| <i>Withholding tax on other expenses</i> | 31,847 |
| <i>Withholding tax on Salary</i> | 29,014 |
| Other payables | 567,817 |
| Others | 38,229 |
| | 1,554,032 |

14. SHARE CAPITAL

The details of shareholding are as follows:

| | <u>% of Ownership</u> | <u>Number of Shares</u> | <u>Amount Riel '000</u> |
|--|-----------------------|-------------------------|-------------------------|
| Cambodia Rural Development Foundation (CRDF) | 95% | 11,875 | 237,500 |
| PRASAC Staff Company (PSCo) | 5% | 625 | 12,500 |
| | 100% | 12,500 | 250,000 |

Each ordinary share has one vote and participates equally in all dividends and other distributions of PRASAC.

The movement in share capital during the year is as follows:

| | <u>CRDF Riel '000</u> | <u>PSCo Riel '000</u> | <u>Total Riel '000</u> |
|-------------------------------|-----------------------|-----------------------|------------------------|
| As at 1 January 2005 | - | - | - |
| Proceeds during the year | 237,500 | 12,500 | 250,000 |
| As at 31 December 2005 | 237,500 | 12,500 | 250,000 |

15. SUBORDINATED DEBT

On 31 December 2004, the net assets of PCA (see following page) was transferred by the EU to RGC and then transferred by the RGC to PRASAC as subordinated debt. The value of the net assets were based on audited balance sheet of PCA as at 31 December 2004 with the terms and conditions of the agreement as following:

- The fund is to be recorded as "Subordinated Debt" in the accounting records of PRASAC,
- PRASAC shall repay the total value of the Subordinated Debt to RGC on the following terms and conditions:

- (a) The Subordinated Debt will not be repayable to the RGC unless PRASAC ceases to provide credit to rural communities and micro enterprises in Cambodia or unless PRASAC elects at its own discretion to repay all or part of the Subordinated debt to RGC.
- (b) The Subordinated Debt is a non-distributable fund.
- (c) The Subordinated Debt is considered as "Tier II Capital" in the context of Article 15 of Prakas No.B700-006 on the licensing of Micro-Finance Institutions dated 11 January 2000 and shall be included when calculating the Capital Adequacy Ratio of PRASAC.

- The Subordinated Debt bears no interest.

**31 December
2004
Riel '000**

ASSETS

| | |
|---------------------------------|-------------------|
| Cash in hand | 1,023,387 |
| Balances with banks | 1,163,406 |
| Balances with Central Bank | 726,211 |
| Loans and advances to customers | 31,449,490 |
| Grants receivable | - |
| Other assets | 1,687,571 |
| Deferred tax assets | - |
| Intangible assets | - |
| Property, plant and equipment | 256,907 |
| Total Assets transferred | 36,306,972 |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | |
|-----------------------------------|-------------------|
| LIABILITIES | |
| Customers' deposits | 792,033 |
| Borrowings | - |
| Provision for retirement benefits | 133,996 |
| Deferred grant income | - |
| Current income tax liabilities | - |
| Accruals and other liabilities | 706,270 |
| Total Liabilities transferred | 1,632,299 |
| Net assets transferred | 34,674,673 |

16. CASH AND CASH EQUIVALENTS

| | 2005 Riel '000 |
|--------------------------|-------------------|
| Cash on hand | 2,485,100 |
| Balance with Banks | 2,361,573 |
| Current account with NBC | 18,773 |
| | 4,865,446 |

17. INTEREST INCOME

| | 2005 Riel '000 |
|-----------------|-------------------|
| Group loan | 3,908,852 |
| Individual loan | 9,414,053 |
| | 13,322,905 |

18. INTEREST AND FEES EXPENSE

| | 2005 Riel '000 |
|---------------------|-------------------|
| Borrowings | 276,300 |
| Customers' deposits | 75,415 |
| | 351,715 |

19. FEE AND COMMISSION EXPENSE

| | For the year ended 31 December 2005 Riel '000 |
|------------|---|
| Group loan | 142,603 |
| | 142,603 |

As compensation and to facilitate the collection of interest and principal amount for group loans, PRASAC pays the loan's Group Leader commission:

| Commission | 2005 |
|------------|------|
| Group loan | 4% |

This commission includes withholding tax and is paid based on interest collection.

20. OTHER OPERATING INCOME

| | For the year ended 31 December 2005 Riel '000 |
|-------------------------------------|---|
| Penalty income | 92,681 |
| Bad debts recovered | 227,360 |
| Foreign exchange gain, net | 1,382 |
| Loss on disposal of equipments, net | (7,141) |
| Other Income | 13,247 |
| | 327,529 |

21. GRANT INCOME

| | For the year ended 31 December 2005 Riel '000 |
|-----------------------------------|---|
| CGAP Financial Transparency Award | 20,425 |
| CGAP rating fund | 32,712 |
| | 53,137 |

22. OPERATING AND OTHER EXPENSES

| | 2005 Riel '000 |
|----------------------------------|-------------------|
| Salaries and staff benefits | 5,911,151 |
| Management adviser fee | 672,016 |
| Fuel expense | 623,701 |
| Occupancy expenses | 568,055 |
| Office supplies | 358,603 |
| Marketing expense | 302,061 |
| Training | 299,316 |
| Depreciation | 216,280 |
| Printing | 196,256 |
| Transportation | 179,644 |
| Consultants and professional fee | 170,066 |
| Meals and per diem allowances | 143,505 |
| Communication expense | 89,694 |
| Maintenance | 69,243 |
| Other operating expenses | 164,938 |
| | 9,964,529 |

23. INCOME TAX EXPENSE

| | 2005 Riel '000 |
|---|-------------------|
| (a) Tax on profit expense | |
| Current | 753,878 |
| Deferred tax (Note 8) | (136,680) |
| | 617,198 |
| (b) Reconciliation between tax on profit expense and accounting profit | |
| | US\$ |
| Profit before tax | 3,085,991 |
| Profit tax at 20% of accounting profit | 617,198 |
| | 617,198 |

24. CURRENCY ANALYSIS (RIEL'000)

An analysis of PRASAC's assets and liabilities by currency is as follows:

| | US\$ | Riel | Total |
|---------------------------------------|--------------------|-------------------|-------------------|
| ASSETS | | | |
| Cash in hand | 2,088,449 | 396,651 | 2,485,100 |
| Balances with banks | 2,361,240 | 333 | 2,361,573 |
| Balances with Central bank | - | 100,883 | 100,883 |
| Loans and advance to customers | 4,686,112 | 39,862,871 | 44,548,983 |
| Other assets | 218,425 | 1,745,496 | 1,963,921 |
| Deferred tax assets | - | 136,680 | 136,680 |
| Property, plant and equipment | - | 766,628 | 766,628 |
| Total Assets | 9,354,226 | 43,009,542 | 52,363,768 |
| LIABILITIES | | | |
| Customers' deposits | 194,244 | 1,383,027 | 1,577,271 |
| Borrowings | 10,936,550 | - | 10,936,550 |
| Provision for retirement benefits | - | 270,450 | 270,450 |
| Current income tax liabilities | - | 631,999 | 631,999 |
| Accruals and other liabilities | 184,097 | 1,369,935 | 1,554,032 |
| Total Liabilities | 11,314,891 | 3,655,411 | 14,970,302 |
| Net asset/(liability) position | (1,960,665) | 39,354,131 | 37,393,466 |

25. MATURITY PROFILE

The maturity profile of assets and liabilities (in Riel' 000) is as follows:

| 31 December 2005 | Total | Less than 1 month | From 1 month to 3 months | From 3 months to 1 year | From 1 year to 5 years | Over 5 years | No fixed maturity date |
|-----------------------------------|-------------------|----------------------|--------------------------------|-------------------------------|------------------------------|-----------------|------------------------------|
| ASSETS | | | | | | | |
| Cash in hand | 2,485,100 | 2,485,100 | - | - | - | - | - |
| Balances with banks | 2,361,573 | 2,361,573 | - | - | - | - | - |
| Balances with central bank | 100,883 | - | 18,773 | - | - | - | 82,110 |
| Loans and advances to customers | 44,548,983 | 22,911 | 5,611,038 | 30,661,647 | 8,253,387 | - | - |
| Other assets | 1,963,921 | 1,963,921 | - | - | - | - | - |
| Deferred tax assets | 136,680 | - | - | - | - | - | 136,680 |
| Property, plant and equipment | 766,628 | - | - | 225,436 | 541,192 | - | - |
| Total Assets | 52,363,768 | 6,833,505 | 5,629,811 | 30,887,083 | 8,794,579 | - | 218,790 |
| LIABILITIES | | | | | | | |
| Customers' deposits | 1,577,271 | 1,365,285 | 211,986 | - | - | - | - |
| Borrowings | 10,936,550 | - | - | 8,254,000 | 2,682,550 | - | - |
| Provision for retirement benefits | 270,450 | - | - | - | - | - | 270,450 |
| Current income tax liabilities | 631,999 | - | - | 631,999 | - | - | - |
| Accruals and other liabilities | 1,554,032 | 1,141,083 | 412,949 | - | - | - | - |
| Total Liabilities | 14,970,302 | 2,506,368 | 624,935 | 8,885,999 | 2,682,550 | - | 270,450 |
| Net liquidity surplus | 37,393,466 | 4,327,137 | 5,004,876 | 22,001,084 | 6,112,029 | - | (51,660) |

26. INTEREST RATE RISK

The interest rate risk exposure of financial assets and financial liabilities (in Riel' 000) are as follows:

| 31 December 2005 | Total | Less than 1 month | From 1 month to 3 months | From 3 months to 1 year | From 1 year to 5 years | Over 5 years | No fixed maturity date |
|---|-------------------|----------------------|--------------------------------|-------------------------------|------------------------------|-----------------|------------------------------|
| ASSETS | | | | | | | |
| Cash in hand | 2,485,100 | - | - | - | - | - | 2,485,100 |
| Balances with banks | 2,361,573 | - | - | - | - | - | 2,361,573 |
| Balances with central bank | 100,883 | - | - | - | - | - | 100,883 |
| Loans and advances to customers | 44,548,983 | 22,911 | 5,611,038 | 30,661,647 | 8,253,387 | - | - |
| Other assets | 1,963,921 | - | - | - | - | - | 1,963,921 |
| Deferred tax assets | 136,680 | - | - | - | - | - | 136,680 |
| Property, plant and equipment | 766,628 | - | - | - | - | - | 766,628 |
| Total Rate-sensitive assets | 52,363,768 | 22,911 | 5,611,038 | 30,661,647 | 8,253,387 | - | 7,814,785 |
| LIABILITIES | | | | | | | |
| Customers' deposits | 1,577,271 | 1,365,285 | 211,986 | - | - | - | - |
| Borrowings | 10,936,550 | - | - | 8,254,000 | 2,682,550 | - | - |
| Provision for retirement benefits | 270,450 | - | - | - | - | - | 270,450 |
| Current income tax liabilities | 631,999 | - | - | - | - | - | 631,999 |
| Accruals and other liabilities | 1,554,032 | - | - | - | - | - | 1,554,032 |
| Total Rate-sensitive liabilities | 14,970,302 | 1,365,285 | 211,986 | 8,254,000 | 2,682,550 | - | 2,456,481 |
| Total Interest Sensitive Gap | 37,393,466 | (1,342,374) | 5,399,052 | 22,407,647 | 5,570,837 | - | 5,358,304 |

27. LEASE COMMITMENTS

PRASAC has lease commitments for the lease of its headquarters and provincial offices as follows:

| | 2005 |
|--|------------------|
| | Riel '000 |
| Not more than one year | 453,535 |
| More than 1 year and not more than 5 years | 1,018,305 |
| | 1,471,840 |

28. COMPARATIVES

There are no comparative figures as this is the first year of incorporation for PRASAC.

PRASAC MFI Office Network

| PROVINCE | BRANCH | SUB-BRANCH | SERVICE OFFICE | ADDRESS | CONTACT PERSON | CONTACT NUMBER | EMAIL |
|------------------|-------------------|---------------------|------------------------|--|------------------------|------------------------------------|---------------------------------|
| KAMPONG CHAM | KAMPONG CHAM | | | Prampir Village, Kampong Cham Commune, Kampong Cham District, Kampong Cham Province | Em Samnga | 012 777 611 042 941 537 | prasac011@camintel.com |
| | | <i>Kampong Siem</i> | | <i>Prampir Village, Kampong Cham Commune, Kampong Cham District, Kampong Cham Province</i> | Phat Pheth | 012 951 971 | |
| | | <i>Chamkaleu</i> | | <i>Thnal Beak Village, Svay Teap Commune, Chamkarleu District, Kampong Cham Province</i> | Lay Sotha | 012 239 458 042 390 017 | prasac017@camshin.com.kh |
| | | | <i>Stoeung Trang</i> | <i>Boeng Deang Village, Prek Kak Commune, Stoeung Trang District, Kampong Cham Province</i> | Chea Va | 012 799 050 | |
| | | <i>Prey Chhor</i> | | <i>Slaeng Village, Chey Vien Commune, Prey Chhor District, Kompong Cham Province</i> | Khut Sophea | 012 568 298 | |
| | | <i>Koh Sotin</i> | | <i>Daeum Sdau Village, Pongro Commune, Koh Soutin District, Kompong Cham Province</i> | Pat Reasmey | 012 519 152 | |
| | | | <i>Sithorkandal</i> | <i>Preaeksdeang Village, Prek Changkran Commune, Sithorkandal District, Prey Veng Province</i> | Rann Vannak | 012 448 667 | |
| | | <i>Cheung Prey</i> | | <i>Skon Village, Soutip Commune, Cheung Prey District, Kampong Cham Province</i> | Eav Sopin | 011 901 186 042 393 334 | prasac012@camshin.com.kh |
| | | <i>Srey Santhor</i> | | <i>Santey Village, Prek Pou Commune, Srey Santhor District, Kampong Cham Province</i> | Sok Theavy | 012 441 973 042 390 016 | prasac016@camshin.com.kh |
| | | <i>Batheay</i> | | <i>Phaav Village, Phaav Commune, Batheay District, Kampong Cham Province</i> | Meas Sitha | 012 563 041 | |
| | | | <i>Prey Kry</i> | <i>Prey Kry Village, Prey Kry Choeung Commune, Chol Kiri District, Kampong Chhnang Province</i> | Meou Pholly | 012 756 042 | |
| | TBONG KMUM | | | Cheung Lorig Village, Suong Commune, Tbong Khmum, Kampong Cham Province | Nhek Poly | 012 404 018 042 390 013 | prasac013@camshin.com.kh |
| | | <i>Tbong Khmum</i> | | <i>Cheung Lorig Village, Suong Commune, Tbong Khmum District, Kampong Cham Province</i> | Bel Taing Eng | 012 661 636 | |
| | | | <i>Tra Peng Reusey</i> | <i>Trapeang Reusey Village, Roka Popram Commune, Tbong Khmum District, Kampong Cham Province</i> | Chhoy Vandet | 012 781 861 | |
| | | <i>Oraing Ov</i> | | <i>Lekh Bei Village, Ampil Tapok Commune, Oraing Ov District, Kampong Cham Province</i> | Phin Sary | 011 741 299 | |
| KRATIE | | <i>Chhloung</i> | | <i>Koh Kandaor Village, Chhloung Commune, Chhloung District, Kratie Province</i> | Khuon Vannak | 011 754 503 | |
| PREY VENG | PREY VENG | | | Pram Pir Village, Kampong Leav Commune, Kampong Leav District, Prey Veng Province | Pheng Chantivea | 012 869 492 043 944 508 | prasac051@camintel.com |
| | | <i>Svay Antor</i> | | <i>Pou Ampil Village, Svay Antor Commune, Prey Veng District, Prey Veng Province</i> | Sok Thol | 012 578 306 | |
| | | <i>Kam Chay Mea</i> | | <i>Chou Ti Muoy Village, Kranhung Commune, Kam Chay Mea District, Prey Veng Province</i> | Ros Chim | 012 970 048 043 399 055 | prasac055@camshin.com.kh |
| | | | <i>Kanhchriech</i> | <i>Prongey Muoy Village, Thma Pun Commune, Kanhchriech District, Prey Veng Province</i> | Heng Toern | 012 677 186 | |
| | | <i>Neak Loeung</i> | | <i>Timuoy Village, Prek Khsay Kha Commune, Peam Ro District, Prey Veng Province</i> | Khy Sean | 012 649 503 043 393 952 | prasac052@camshin.com.kh |

| PROVINCE | BRANCH | SUB-BRANCH | SERVICE OFFICE | ADDRESS | CONTACT PERSON | CONTACT NUMBER | EMAIL |
|------------------------|------------------------|-----------------|----------------|---|---------------------------|------------------------------------|-------------------------------|
| | | Baphnum | | Chheu Kach Village, Chheu Kach Commune, Baphnum, Prey Veng Province | Sok Hay | 016 957 308 042 399 056 | prasac056@camshin.com.kh |
| | | | Preah Sdach | Prey Meas Village, Angkor Reach Commune, Preah Sdach district, Prey Veng Province | Sok Hay | 016 957 308 | |
| | | Kampong Trabaek | | Chambok Village, Prasat Commune, Kampong Trabaek District, Prey Veng Province | Oum Aun | 016 741 041 | |
| KAMPONG THOM | KAMPONG THOM | | | Prey Tatrav Village, Ballangk Commune, Baray District, Kampong Thom | Chou Sok Chamroeun | 012 951 866 | |
| | | Kampong Thmor | | Prey Tatrav Village, Ballangk Commune, Baray District, Kampong Thom | Chim Serey | 012 497 550 062 399 081 | prasac015@camshin.com.kh |
| KAMPONG CHHNANG | KAMPONG CHHNANG | | | Tuol Kralanh Village, Kampong Chhnang Commune, Kampong Chhnang District, Kg. Chhang Province | Yi Sotara | 012 426 272 026 988 719 | prasac021@camintel.com |
| | | Roleaphie | | Toul Kralanh Village, Kampong Chhnang Commune, Kampong Chhnang District, Kampong Chhnang Province | Uk Ry | 012 993 387 | |
| | | Boribo | | Ponley Village, Ponley Commune, Baribo District, Kampong Chhnang Province | Lem Sina | 012 887 433 052 399 023 | prasac023@camshin.com.kh |
| | | Kampong Leng | | Kampong Boeng Village, Kampong Hau Commune, Kampong Leng District, Kampong Chhnang Province | Ung Cheav Kong | 012 558 660 | |
| | | Kampong Tralach | | Ta Ak Village, Peani Commune, Kampong Tralach District, Kampong Chhnang Province | Kuch Dara | 012 385 065 026 393 922 | prasac022@camshin.com.kh |
| TAKEO | TAKEO | | | Village 2, Rorkakng Commune, Daunkeo District, Takeo Province | Sras Pheakdey | 012 472 455 032 931 279 | prasac031@camintel.com |
| | | Daun Keo | | Phum Pir Village, Rokakng Commune, Daun Keo District, Takeo Province | Chuong Sam Oeun | 012 602 526 | |
| | | Kirivong | | Kampong Village, Preah Bat Chan Chum Commune, Kirivong District, Takeo Province | Prak Lun | 012 525 903 032 399 036 | prasac035@camshin.com.kh |
| | | Kampong Chrey | | Kampong Chrey Village, Smaong Commune, Treang District, Takeo Province | Suon Yon | 012 268 126 032 399 033 | prasac033@camshin.com.kh |
| | | Prey Kabas | | Prey Lvea Kaeut village, Prey Lvea Commune, Prey Kabbas District, Takeo Province | Y Yoeun | 012 500 823 032 393 932 | prasac032@camshin.com.kh |
| | | Angkor Borei | | Kampong Luong Village, Angkor Borei Commune, Angkor Borei District, Takeo Province | Y Yoeun | 012 500 823 | |
| | | Bati | | Seiha Village, Chambak Commune, Bati District, Takeo Province | Chhun Bunna | 012 931 908 024 393 025 | prasac037@camshin.com.kh |
| KANDAL | KANDAL 1 | | | Krapeu Ha Village, Prek Ruessei Commune, Takhmau, Kandal Province | Sar Sarik | 012 341 368 | |
| | | Koh Thom | | Prek Thmei Village, Prek Thmei Commune, Koh Thom District, Kandal Province | Tin Sroeun | 012 668 553 024 399 036 | prasac036@camshin.com.kh |
| | | Saang | | Prek Run Village, Prek Koy Commune, Saang District, Kandal Province | Lim Lakg | 012 622 398 024 399 034 | prasac034@camshin.com.kh |
| | | Kampong Kantuot | | Svay Ming Village, Baku Commune, Kandal Stueng, Kandal Province | Sen Kimsan | 012 431 983 | |
| | | Kien Svay | | Tuol Tnaot Village, Kokir Commune, Kien Svay District, Kandal Province | Va Rithy | 016 961 061 024 399 054 | prasac054@camshin.com.kh |
| | KANDAL 2 | | | National Road N° 5, Timuoy Village, Chrang Chamres Commune, Reusey Keo District, Phnom Penh | Chhoum Srong | 012 507 092 | |
| | | Bekchan | | Chong Bangkoul Village, Baek Chan Commune, Angk Snuol District, Kandal Province | Chuob Veasna | 012 675 513 023 355 044 | prasac044@camshin.com.kh |

| PROVINCE | BRANCH | SUB-BRANCH | SERVICE OFFICE | ADDRESS | CONTACT PERSON | CONTACT NUMBER | EMAIL |
|----------------------|--------------------------|------------------------------|---------------------------|---|-----------------------|------------------------------------|---------------------------------|
| | | <i>Prek Kdam</i> | | <i>Tuol Ngouk Village, Kampong Luong Commune, Pongea Lueu District, Kandal Province</i> | San Sovuthy | 012 253 971 024 399 024 | prasac024@camshin.com.kh |
| | | | <i>Prek Anchanh</i> | <i>Kraom Village, Prek Anchanh Commune, Mukh Kampul District, Kandal Province</i> | Chhoum Srong | 012 507 092 | |
| | | <i>Kampong Popil</i> | | <i>Kampong Popil Village, Kampong Popil Commune, Pea Reang District, Prey Veng Province</i> | Em Sophol | 012 773 285 032 399 053 | prasac053@camshin.com.kh |
| | | | <i>Pea Raing</i> | <i>Snay Pol Village, Roka Commune, Pea Raing District, Prey Veng Province</i> | San Pheakdey | 012 643 634 | |
| KAMPONG SPEU | KAMPONG SPEU | | | Samnang Village, Roka Thum Commune, Chbar Mon District, Kampong Speu Province | Tea Vanna | 012 992 006 025 987 399 | prasac041@camintel.com |
| | | <i>Chbar Morn</i> | | <i>Samnang Village, Roka Thum Commune, Chbar Mon District, Kampong Speu Province</i> | Im Buntha | 016 707 104 | |
| | | <i>Oudong</i> | | <i>Bat Daeung Village, Khsem Khsan Commune, Odong District, Kampong Speu Province</i> | Ten Eath | 012 400 412 025 399 043 | prasac043@camshin.com.kh |
| | | | <i>Sam Rong</i> | <i>Monourom Village, Monourom Commune, Thpong District, Kampong Speu Province</i> | Ten Eath | 012 400 412 | |
| | | <i>Kong Pisei</i> | | <i>Tram Khnar Village, Snam Krapeu Commune, Kong Pisei District, Kampong Speu Province</i> | Lim Thy | 012 567 783 025 393 942 | prasac042@camshin.com.kh |
| | | | <i>Slab Leng</i> | <i>Preah Mlob Village, Pheari Mean Chey Commune, Basedth District, Kampong Speu Province</i> | Lim Thy | 012 567 783 | |
| SVAY RIENG | SVAY RIENG | | | Kien Sang Village, Svay Rieng Commune, Svay Rieng District, Svay Rieng Province | Preap Hor | 012 739 716 044 715 051 | prasac061@camintel.com |
| | | <i>Svay Chrum</i> | | <i>Ta Pa Village, Tsuos Commune, Svay Chrum District, Svay Rieng Province</i> | Keo Sokunthea | 016 732 077 | |
| | | <i>Svay Teap</i> | | <i>Toul Ampil Village, Chrak Mtes Commune, Svay Teab District, Svay Rieng Province</i> | Som Sotha | 011 633 145 | |
| | | | <i>Bror Sout</i> | <i>Tradaet Village, Preah Ponlea Commune, Kampong Rou District, Svay Rieng Province</i> | Som Sotha | 011 633 145 | |
| | | <i>Romeas Hek</i> | | <i>Kampong Trach Village, Kampong Trach Commune, Romeas Haek District, Svay Rieng Province</i> | Pen Sokunthea | 012 424 838 | |
| KAMPOT | KAMPOT | | | Prey Krala Khang Lech Village, Touk Meas Khang Lech Commune, Banteay Meas District, Kampot Province | Nhet Rith | 012 423 125 033 393 971 | prasac071@camshin.com.kh |
| | | <i>Chhouk</i> | | <i>Krasang Village, Chhuk Commune, Chhuk District, Kampot Province</i> | Kun Sokhornpagna | 012 562 420 | |
| | | <i>Kampong Trach</i> | | <i>Kampong Trach Ti Mouy Village, Kampong Trach Khang Khoeut Commune, Kampong Trach District, Kampot Province</i> | Nhet Rith | 012 423 125 | |
| | | <i>Angkor Chey</i> | | <i>Pou Village, Phnumkong Commune, Angkor Chey District, Kampot Province</i> | Tith Sok Chea | 012 607 942 | |
| PURSAT | PURSAT | | | Moan Chae Village, Prey Nhi Commune, Sampov Meas District, Pursat Province | Neang Sinarann | 012 867 602 052 951 081 | prasac081@camitel.com |
| | | <i>Pursat</i> | | <i>Moan Che Village, Prey Nhi Commune, Sampov Meas District, Pursat Province</i> | Heng Sovanna | 011 959 106 | |
| | | <i>Krakor</i> | | <i>Phsar Village, Phsar Commune, Krakor District, Pursat Province</i> | Sok Pisith | 012 200 072 052 399 082 | prasac082@camshin.com.kh |
| PROVINCES: 11 | BRANCH OFFICE: 12 | SUB-BRANCH OFFICE: 44 | SERVICE OFFICE: 11 | | | | |





THE HIGHLIGHTS OF THE TRANSFORMATION FROM PRASAC PROJECT TO PRASAC MFI

1995 - 1999

Was Credit Component of PRASAC Project with three Different managements during PRASAC I.

2000

Combined to one in PRASAC II with one management. Early strategic decision to create a sustainable institution beyond closure of project.

2002

Creation of PRASAC Credit Association (PCA), registered with the NBC as Rural Credit Operator in March 2002 with separate accounts, separate HO and field offices, own Supervising Committee and Management.

2003

A Trust Fund called CRDF and PRASAC Staff Company were created to facilitate the transformation as temporary owners.

2004

Registered with MoC as limited liability Company and received license from the NBC in November 2004 to operate as a licensed MFI.



PRASAC MICROFINANCE INSTITUTION

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