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 ភ័ណទានពលរដ្ឋរៀង អិលធីឌី
 INTEAN POALROATH RONGROEURNG LTD



ANNUAL REPORT 2018

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VISION MISSION AND VALUE



VISION

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



MISSION

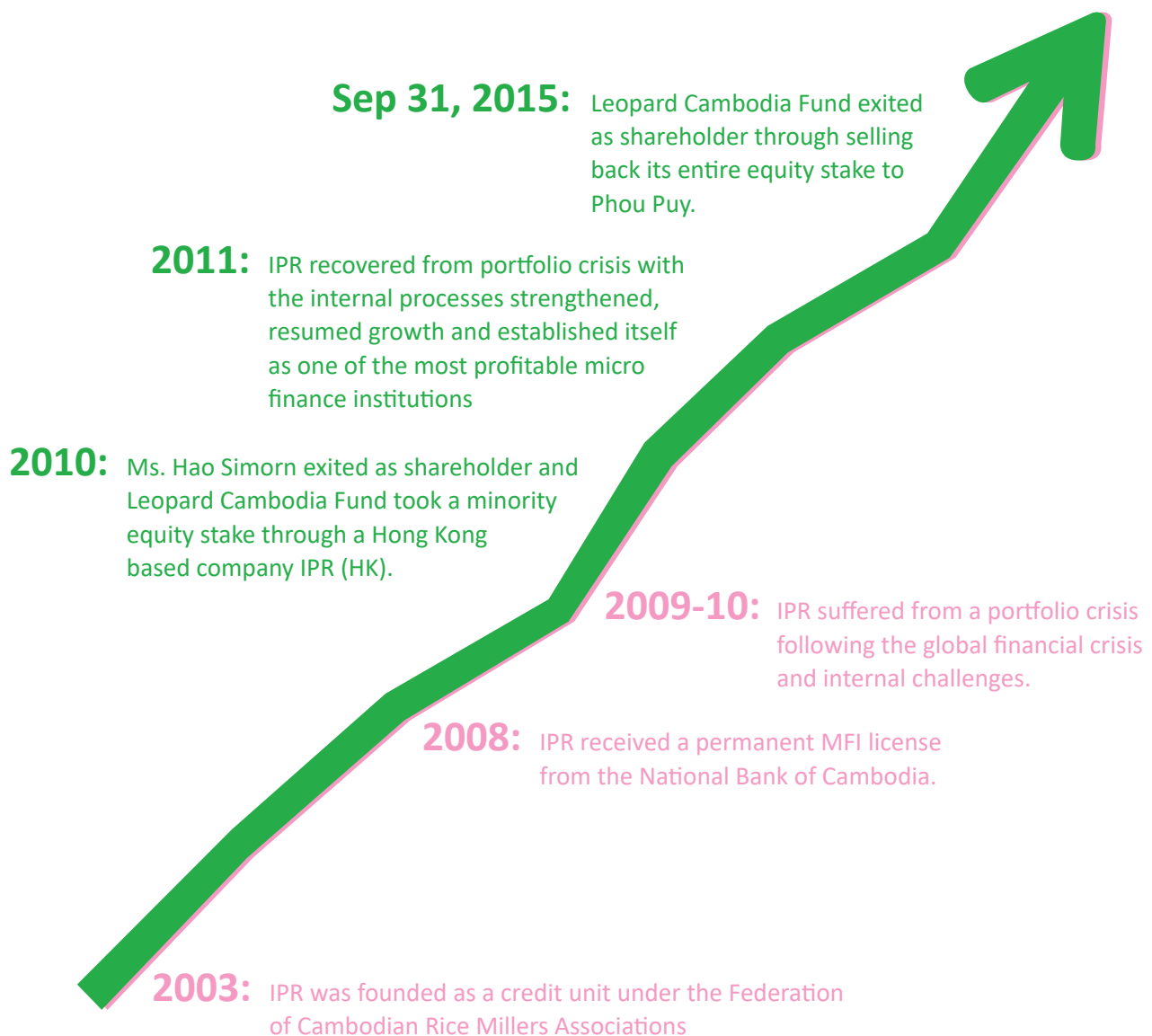
To provide convenient financial services adapted to agriculture-related business in order to improve the economic conditions of farmers while sustaining the institution's profitable growth.



VALUE

- . Integrity and Honesty
- . Accountability
- . Teamwork
- . Transparency

COMPANY BACKGROUND



CHAIRMAN'S MESSAGE



Mr. Oknha PHOU Puy
Chairman of the Board of
Directors

Cambodia grew its GDP at 7.5 percent in 2018, compared to 7.0 percent in 2017. According to Asian Development Bank, the economy performed better than expected was driven largely by the rapid expansion of exports and ongoing construction boom. Agriculture production, which accounted for 22.0 percent of GDP, was affected by midseason drought and floods in some parts of the country. According to NBC, agriculture sector grew at 1.3 percent, slightly slower than last year.

The degree of competition within the banking industry has grown dramatically. According to the Central Bank, there are 43 commercial banks, 14 specialized banks, 7 MDIs and 74 MFIs plus 16 payment service institutions in 2018. Some MDIs have become as large as commercial banks. The assets and credit of MDIs are gradually increased to 14 percent and 18 percent respectively while the assets and credit of MFIs remained below 3 percent.

Since its inception stage in 2003, IPR has been pursuing its mission to the agricultural sector which remains the backbone of Cambodia's economy and continued to be supported by FI loans and FDIs. Thus, agriculture focuses by IPR still the main market segment in future growth of its credit portfolio and together with other market segment.

Along with the growing of microfinance and banking industry in Cambodia, IPR has been moving forward, even being faced with challenges in certain circumstance.

In addressing to the challenges, we develop over time in response to changes in environment and in response to a desire to progress; we design our product offer that fit to rural people through continuing review and change term and conditions to client's need and develop a more comprehensive business model along the agricultural value chain with complementary cooperation partners. Our unique combination of profitability, low leverage, agricultural focus and positive social impact on rural farmers makes us an attractive investment proposal.

Whilst profitability declined from the previous year's record, mainly due to changes a lower portfolio yield and higher provision expense, IPR is still a strong base microfinance in terms of equity and clear strategic market positioning. With a financially healthy balance sheet and dedicate management team, IPR is on the path towards long-term growth in the market.

I extend the continued gratitude and appreciation of the Board to our partners, our valued clients, and IPR executive management team and employees for their continued dedication and commitment.

Sincerely Yours,



Oknha PHOU Puy
Chairman of the Board of

CEO'S MESSAGE



HORT Bunsong
Chief Executive Officer

Ever since the establishment in 2003, IPR has strived to achieve its mission and become a company trusted and chosen by all of its stakeholders, including clients. We currently provide credit products to rural people focusing on agricultural farmers. Loans are available in three currencies: US Dollar, Khmer Riel and Thai Baht. IPR operates in four provinces: Banteay Meanchey, Bat Dambang, Pursat and Takeo with its branch network of eight branch offices, including the Head Office.

Cambodia's banking system is dominated by commercial banks and MDIs while some MDIs have become as large as commercial banks. The share of Banks assets and credit gradually increased to 84 percent and 79 percent respectively while the share of MDIs assets and credit increased to 14 percent and 18 percent respectively. The contribution of MFIs' credit and assets to the whole sector however remained below 3 percent due to the small sizes and operations and tougher competition with banks and MDIs.

As for IPR, the gross loan portfolio was decreased following the sector challenging. Having the portfolio decrease, the ratio of non-performing loan of IPR was stood at 9 percent in 2018 while the MFIs' NPLs ratio was 5.0 percent. IPR's return on asset and return on equity dropped down as a result of smaller portfolio loan size and in compliance to the issuance of ceiling interest rate at 18 percent per annum, together with a higher NPL.

Following its vision and mission, IPR still continue the focus on agriculture sector, rural lending and the improvement of client family's economic conditions. Women borrowers are prioritized as they are considered as the key decision maker in the family while their spouses are co-borrowers.

Following the concentration, 83% of the total loan portfolio was in agriculture sector while the women borrower was 90% to the total number of clients. By utilization of funding loan, IPR wants to see the clients' wealth in terms of assets is increased from time to time. For this reason, clients' net assets are being tracked since 2016. As of 2018 ended, by excluding the first cycle loans and staff loans, 80% was reported the increase of assets while the assets of the rest were stable or decreased.

In responding to tougher market competition and other external factors, IPR, as mentioned in the preceding years, needs to revise its business model and diversify loan products. IPR also continuously focuses on strengthening its loan assessment and taken into action in improving some internal processes following the standard of client protection principles in order to be more efficient in its credit operations long-term.

Under a strong support of the governing board and existing funding investors, we are struggling to move the Company's operations in overcoming the obstacles to a next stage. On behalf of the Company's management, I take this opportunity to sincerely thank all staff members, the board of directors, shareholders and investors for the support and guidance so far. I wish you all to continue the effort and cooperation to promote IPR further.

Sincerely Yours,

A handwritten signature in blue ink, appearing to read 'Hort', written over a horizontal blue line.

HORT Bunsong
Chief Executive Officer

BOARD OF DIRECTORS



MR. OKNHA PHOU PUY
CHAIRMAN

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; and president of the Chamber of Commerce of Battambang province.



MRS. POK NIVILAY
INDEPENDENT DIRECTOR

Ms. POK Nivilay serves as an independent director since April 2016. She has a long and distinguished career in Sales & Marketing; Communication and Accounting. She previously worked as Head of Marketing and Communications; Accounting Manager; Sales Support Manager; and a TV hostess on law and health Talk Show. Ms. Nivilay holds Bachelor and Master Degree of Business Administration, majoring in General Management.

BOARD OF DIRECTORS



MR. MAO SAVIN
INDEPENDENT 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.



MR. HSU MING-YEE
INDEPENDENT DIRECTOR

Mr. HSU Ming-Yee is an independent microfinance consultant and investor. He used to work as Adviser, then as Head of Operations department at IPR from 2011 to 2014. Before engaging with IPR, Mr. HSU Ming-Yee worked for ADA, a Luxembourg NGO specialized in microfinance, where he coordinated the set-up of the Luxembourg Microfinance and Development Fund and managed its investment portfolio in Asia and East Africa. Prior to ADA, he worked for the European Commission in Malaysia and for the Central Bank of Luxembourg. Mr. HSU Ming-Yee has published works on banking stability, the US personal savings rate and microfinance funding.

EXECUTIVE MANAGEMENT



MR. HORT BUNSONG
CHIEF EXECUTIVE OFFICER

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. HAY KIMKHORN
HEAD OF FINANCE

Mr. HAY Kimkhorn serves as Head of Finance of IPR since 2009. He has been working with IPR for over 10 years since 2006 in different roles such as Branch Assistant, Branch Manager, and Head of Operation. Before joining IPR, he worked as Bookkeeper in another MFIs. Kimkhorn hold a BBA in Finance and Accounting and MBA in Management and Economic (UME), Battambang Province. He also has attended several training courses related to microfinance.



MR. OUM KOSAL
ACTING HEAD OF
OPERATIONS

Mr. OUM Kosal is Acting Head of Operations in 2017. He has been with IPR since 2011 in different roles such as Deputy Branch Manager, Branch Manager, and Credit Manager. Before joining IPR, he held various positions at other MFIs including Credit officer and Branch Manager. He was also a teacher at Secondary and High school for 6 years. Kosal holds a Bachelor's Degree in Management and currently pursues his Master Degree in the University of Management and Economic (UME). Beside work and education, Kosal attended several training courses related to Microfinance.

EXECUTIVE MANAGEMENT



MS. CHAP KAVEY
HEAD OF GENERAL AFFAIR

Miss. CHAP Kavey is Head of General Affair starting from 2018. She joined IPR in mid-2016 as Assistant to CEO; then promoted as Social Performance Manager in 2017. Prior to joining IPR, she worked for local and international NGOs for more than 4 years. Kavey holds a Master Degree of Business Administration; a Bachelor's Degree of English for Communication and a Bachelor's Degree of Rural Development. Beside work and education, Kavey attended several workshops and training courses related to Microfinance.



MR. CHENG VANNET
HEAD OF INTERNAL AUDIT

Mr. CHENG Vannet is Head of Internal Audit since 2016. He joined IPR in January 2010 and held various positions including Loan Recovery Manager, Main Branch Manager, Credit Manager and Acting Head of Operations. Prior to joining IPR, he worked as Credit Officer and Operations Manager with other MFIs. Vannet holds a Bachelor's Degree of Economics and Master's Degree in General Management.



MR. HENG PHINATH
**HEAD OF INFORMATION
TECHNOLOGY**

Mr. HENG Phinath joined IPR as Senior Software Developer in December 2015 and then promoted as Acting Head of IT in July 2016. Prior to joining IPR, Phinath was a Software Developer with Open Institute and Operations Manager at Le Grande Apartment. Phinath holds Bachelor's Degree of Computer Sciences from Royal University of Phnom Penh and University of Pune, India. He currently pursues his Master Degree of Computer Science in Royal University of Phnom Penh.

SHAREHOLDERS AND LENDERS

SHAREHOLDER

Mr. Oknha PHOU Puy

is a private Cambodian individual shareholder and main founder of **INTEAN POALROATH RONGROEURNG Ltd.**

LENDERS



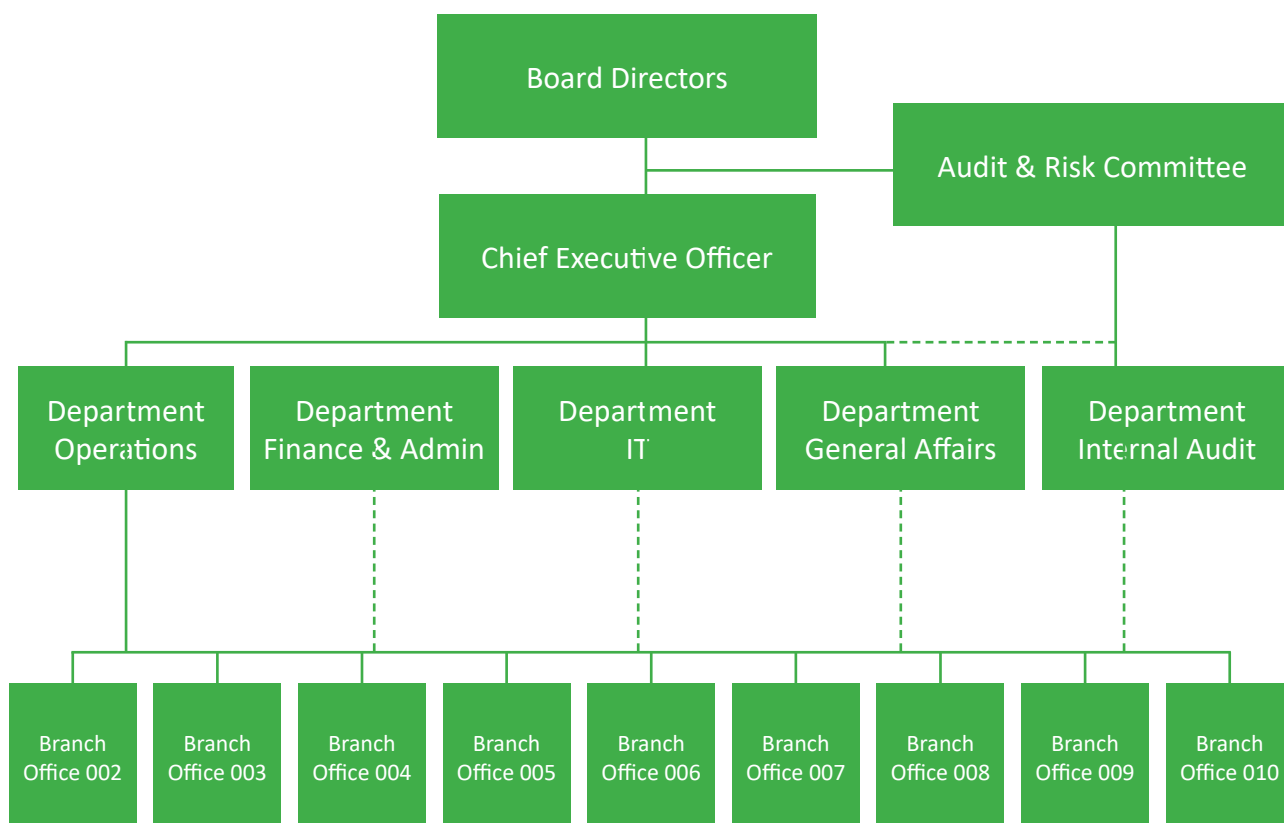
**Luxembourg Microfinance
and Development Fund**



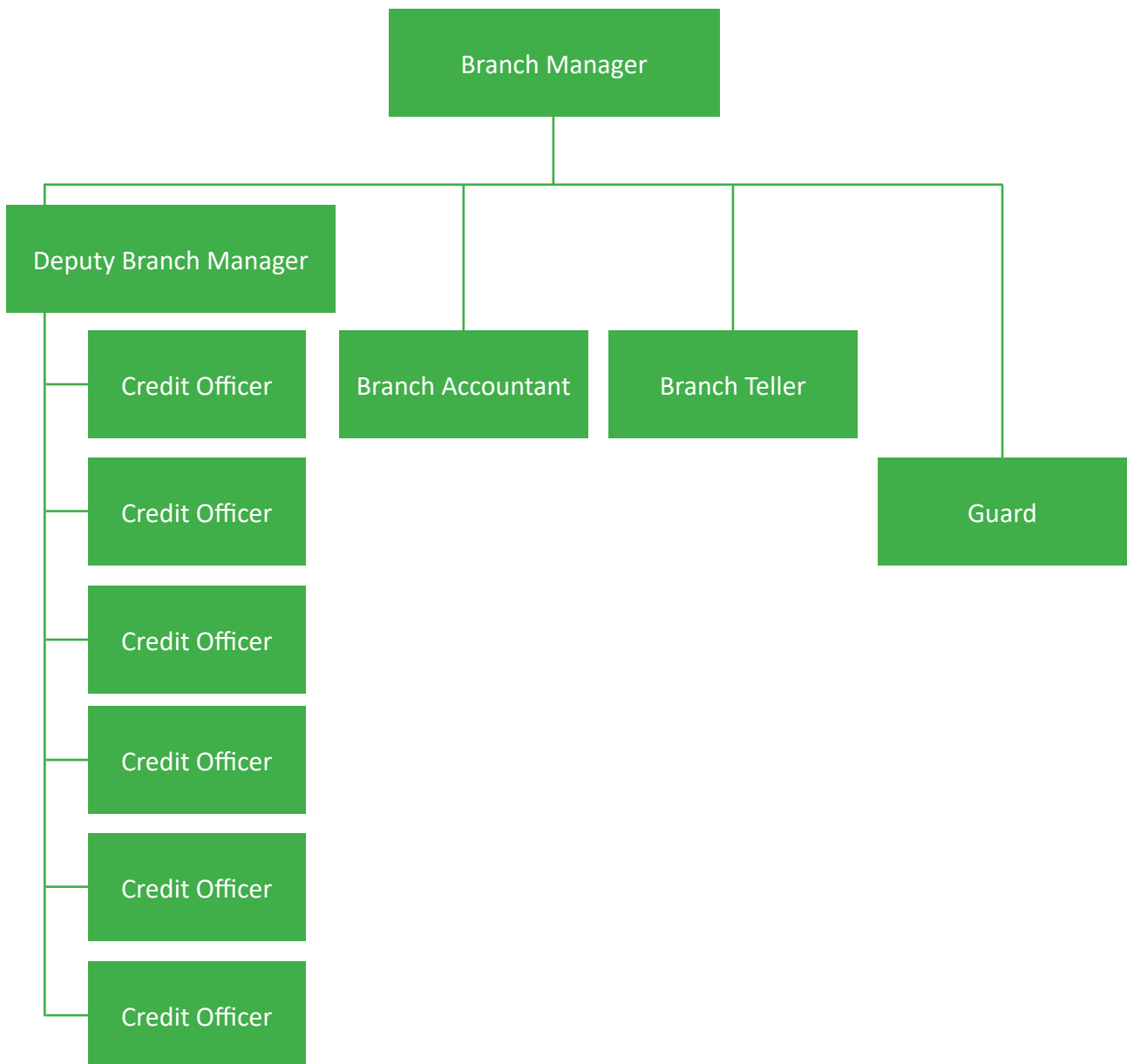
Ms. Lin Chong-lan

Mr. Hsu Ming-yee

ORGANIZATIONAL CHART



BRANCH STRUCTURE



CLIENTELE AND PRODUCT

IPR provides credit products to rural people focusing on agricultural farmers. Our operation areas primarily in rural areas, as this is where agriculture lies.

PRODUCT DESCRIPTION	WORKING CAPITAL LOANS	INVESTMENT LOANS
Target	Individual client who needs finance to purchase seeds, fertilizers and other running inputs.	Individual client who needs finance for purchasing of equipment, machinery and other capital goods related to agricultural production.
Currency	KHR, USD, THB	KHR, USD, THB
Maximum Term	12 months	36 months
Interest Rate/Monthly	1.5%	1.5%
	Instalment	Instalment
	Balloon	Balloon

The background is a solid green color with several diagonal stripes of a lighter shade of green running from the top-left to the bottom-right. The stripes are spaced evenly and create a sense of movement and depth.

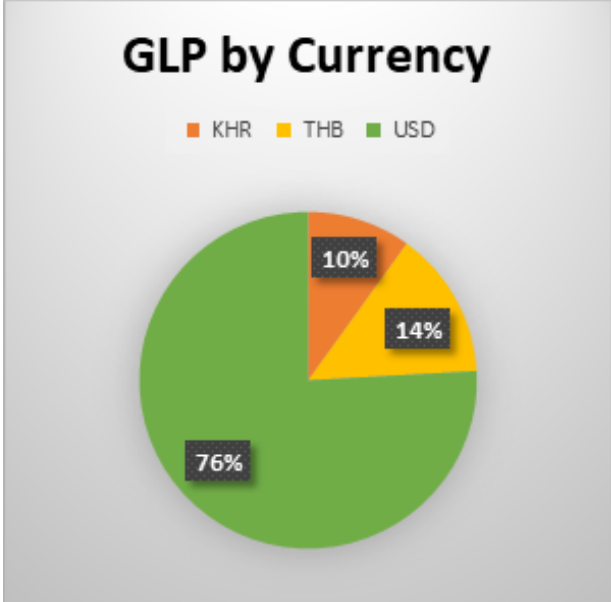
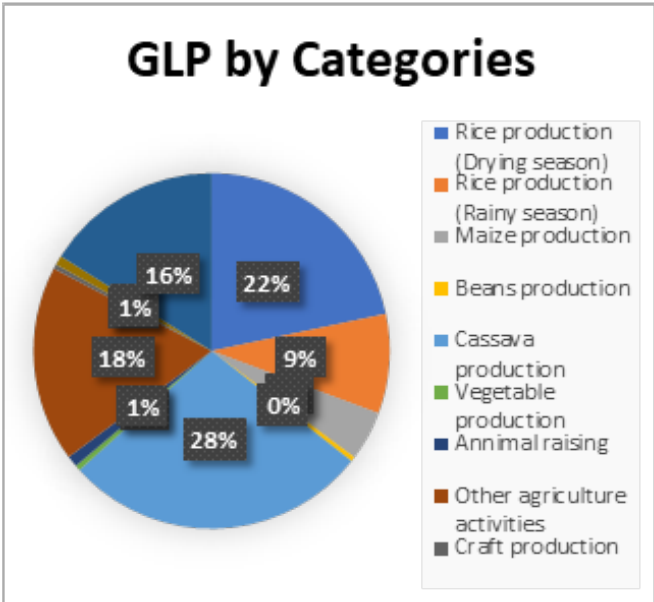
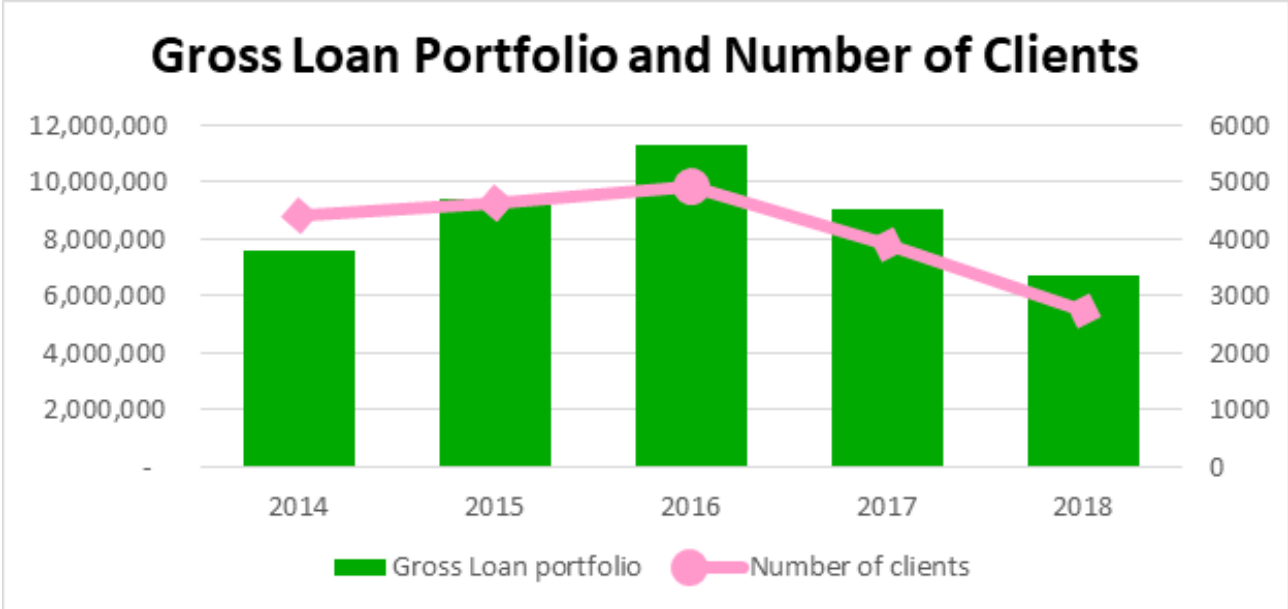
2018'S PERFORMANCE

KEY FIGURES

INDICATORS	Measure	Audited 2018	Audited 2017	Audited 2016
Operating provinces	-	7	7	7
Operating districts	-	39	41	33
Operating communes	-	161	166	154
Operating villages	-	605	686	711
Staff	-	91	118	143
Outstanding borrowers	-	2,746	3,893	4,925
Gross loan portfolio	US\$	6,686,032	9,042,029	11,302,221
Net profit	US\$	101,729	333,774	671,743
Total assets	US\$	7,755,535	10,506,309	13,525,846
Total equity	US\$	7,096,236	6,994,501	6,660,727
Women borrowers	%	89.8	89.6	89.8
Rural borrowers	%	97.82	98.28	98.5
Agriculture loans	%	82.7	95.3	95.1
Portfolio at risk (PAR>30 days)	%	9.27	4.84	1.87
Write-offs	%	4.48	2.32	0.88
Yield on portfolio	%	20.90	24.7	27.6
Cost of fund ratio	%	2.21	5.6	6.0
Operating expense ratio	%	11.87	12.7	12.3
Return on assets (ROA)	%	1.11	2.85	5.3
Return on equity (ROE)	%	1.44	4.9	9.6
Leverage ratio	%	0.1	0.5	1.0
Operational self-sufficiency	%	109.4	116.7	144.9

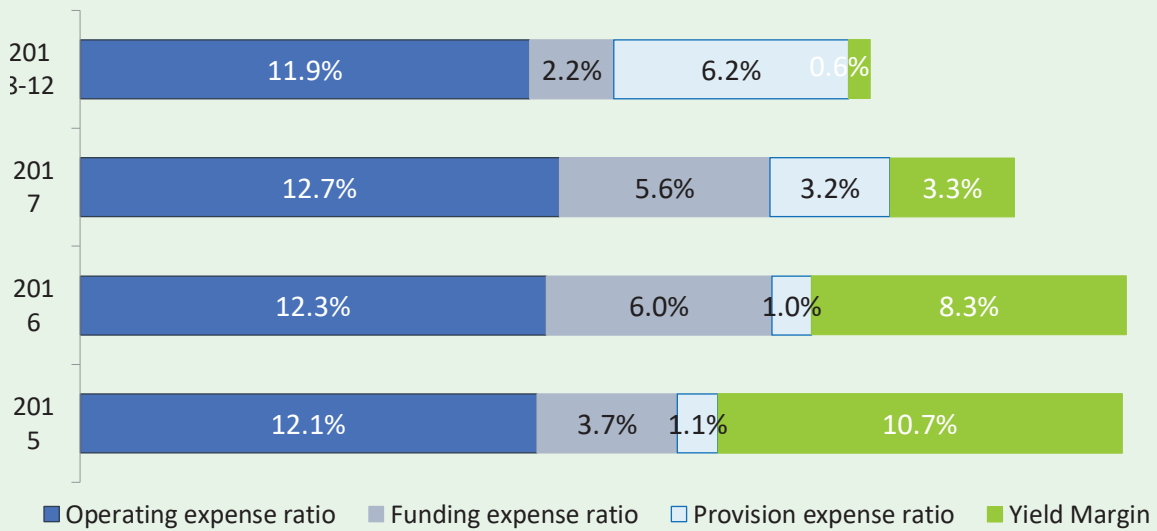
PERFORMANCE

Loan Portfolio

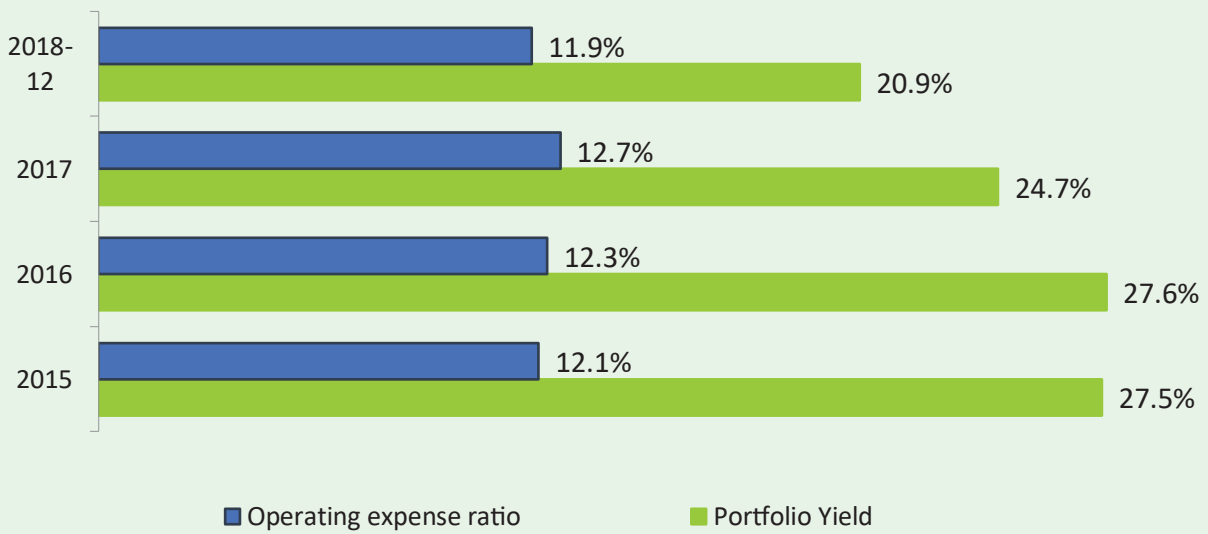


FINANCIAL RATIO

Break-Break-Down of Portfolio Yield



Portfolio Yield & Operating expense ratio



CLIENT'S STORY



Mrs. Sum Det and her husband live in Sambo Commune, Mongkul Borey District, Banteay Meanchey Province. She has three sons and three daughters. She started by borrowing US\$ 2,000 from IPR to grow dried season rice for 3 hectares. Now on her third cycle, she borrows 7,000 to grow dried season rice for 8 hectares. She also grew cashew nut and cassava. She said, “taking a loan from IPR has helped her to improve the living condition of her family. She intends to expand her agriculture production further and will definitely continue choosing IPR as her financial partner”.

MRS. SUM DET, BANTEAY MEANCHEY



Mr. San Moek and his family live in Au Saamil Commune, Samlot District, Battambang Province. He has two sons and three daughters. He started borrowing US\$ 3,100 from IPR to support his cassava farm. Currently he took loan US\$ 4,000, as in his third cycle, to support his cassava and cashew nut farm. Thanks to IPR, he said, he can afford to buy all input needed to grow cassava and cashew nut and also start a small business of selling fertilizer. He said that his family's living standard is improved. He is now own a car, a hand trucker, a motorbike and farming lands.

**MR. SAN MOEK,
BATTAMBANG PROVINCE**

INTERNAL AUDIT AND CONTROL

Internal Audit is a dynamic profession involved in evaluating and improving the effectiveness of risk management, control and governance processes in IPR. Internal Auditors work with management to systematically review systems and operations. These reviews aimed at identifying how well risks are managed including whether the right processes are in place, and whether agreed procedures are being adhered to. Internal Audit can also identify areas where efficiencies or innovations might be made.

Internal Audit Department has three staff including one Head of Internal Audit and two operational auditors.

In 2018, Internal Audit Department conducted 3 audited cycles in each branch. As a result, the risk score and rating for each branch is either acceptable or supplementary issue.

In the same year, the department organized two meetings with Audit Committee to discuss about the findings and action plan for next year.

As the secretary of Risk Committee, Head of Internal Audit regularly send the risk limit and risk registration in monthly and quarterly basis to Risk Committee and Board of Directors for review and recommendation in order to improve them.

Internal Audit Department moreover has put in place the “Internal Audit Worksheet and Rating System” for non-performing loan and written off loan. The new system identifies specific risks on loan recovery, loan follow up and effectiveness of bad loan management of the branch.



STAFF AND CAPACITY BUILDING

INDICATORS	2018	2017	2016
Staff Information			
<i>Number of Total Staff</i>	91	118	143
<i>Number of Management</i>	16	17	
<i>Percentage of Office Staff</i>	50%	41%	37%
<i>Percentage of Field Staff</i>	41%	50%	51%
Staff Education			
<i>Master Degree</i>	5%	5%	7%
<i>Bachelor Degree</i>	56%	56%	62%
<i>Association</i>	17%	17%	16%


List of Trainings and Workshops in 2018

Internal Trainings

1. Refreshment on Accounting Policies and Abacus System.
2. BA's Meeting.
3. Orientation and Training for New Cos.
4. Orientation on Client Satisfaction Survey.
5. Branch Management Training.
6. Orientation and Training for new CO, BT and DBM.

External Trainings and Workshops

1. Tax Service Agency.
2. Build your own private cloud with oracle technology.
3. Advance Credit Risk Management
4. Helping Business Achieve and Security
5. Public Training Invitation on Reading Consumer Credit Report.
6. Principle Knowledge of AML/CFT.
7. Dissemination on Prakas on Credit Risk Grading and Impairment Provisioning.
8. Property Valuation.
9. Asia Pacific Microfinance Forum.
10. Dissemination on implementation of Accounting Standard for Bank and Financial Institution.

A close-up photograph of two hands shaking in a firm grip, symbolizing agreement or partnership. The hands are positioned in the center of the frame, with one hand slightly above the other. The background is blurred, showing what appears to be a desk with a laptop and a clipboard. The overall image has a soft, pinkish-purple tint.

IPR's CORPORATE RESPONSIBILITIES

TAX PAID REPORT

INDICATORS	2018	2017	2016
<i>Patent Tax</i>	\$ 4,202.72	\$ 4,211.05	\$ 3,715.63
<i>Signboard Tax</i>	\$240.00	\$ 61.53	\$ 46.67
<i>Transportation Tax</i>	\$ 98.89	\$ 99.08	\$ 99.08
<i>Tax on Salary</i>	\$ 20,941.05	\$ 25,544.82	\$ 27,872.02
<i>Prepayment Profit Tax</i>	\$17,325.39	\$ 26,319.43	\$ 29,205.61
<i>Withholding Tax on Rental</i>	\$ 10,787.79	\$ 12,792.24	\$ 12,480.60
<i>Withholding Tax on Service (residence)</i>	\$ 8,577.04	\$ 25,382.67	\$ 19,362.09
<i>Withholding Tax on Service (non=residence)</i>	\$ 18.27	-	-
<i>Withholding Tax on Interest (residence)</i>	\$ 4,550.92	\$ 5,830.45	\$ 5,712.37
<i>Withholding Tax on Interest (non-residence)</i>	\$ 18,462.75	\$ 68,940.59	\$ 79,115.18
<i>Tax on Profit</i>	\$ 117.96	\$ 160,857.07	\$ 170,302.27
<i>Stamp Duties Tax</i>	-	\$ 2,467.18	-
<i>Others Tax</i>	\$ 5,619.14	-	\$ 16,556.85

2018 AUDITED FINANCIAL STATEMENT



REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report together with the audited financial statements of Intean Poalroath Rongroeurng Ltd. (the “Company”) for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

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

RESULTS AND DIVIDENDS

The financial performance of the Company for the year ended 31 December 2018 was set out in the income statement on page 9 of the financial statements.

No dividend was declared or paid during the year (2017: Nil).

RESERVES AND PROVISIONS

There were no material movements in reserves and provisions during the year other than those disclosed in the financial statements.

SHARE CAPITAL

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

BAD AND DOUBTFUL LOANS

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

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

ASSETS

Before the Company’s financial statements was drawn up, the Board of Directors took reasonable steps to ensure that any assets, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company, had been written down to an amount which they might be expected to realise.

At the date of this report, the Board of Directors is 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 Board of Directors is not aware of any circumstances

REPORT OF THE BOARD OF DIRECTORS

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

ITEMS OF AN UNUSUAL NATURE

The Company's financial performance for the year ended 31 December 2018 was not, in the opinion of the Board of 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 Board of Directors, to substantially affect the financial performance of the Company for the year in which this report is made.

SIGNIFICANT EVENTS

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

THE BOARD OF DIRECTORS

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

- Oknha Phou Puy Chairman
- Mr. Hsu Ming Yee Independent director
- Mr. Mao Savin Independent director
- Mrs. Pok Nivilay Independent director

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS' INTERESTS

The Directors who held office at the end of the year and their interests in the shares of the Company were as follows:

Oknha Phou Puy	<u>31 December 2018</u>		<u>31 December 2017</u>	
	Holding	Number of shares of US\$119 each	Holding	Number of shares of US\$119 each
	%		%	
	100%	25,955	100%	25,955

DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed to which the Company is a party with the objective of enabling Directors of the Company to acquire benefits by means of the share purchase option.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company other than as disclosed in the financial statements.

BOARD OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible to ascertain 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 2018, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors 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 Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia ("NBC") or if there have been any departures in the interests of fair presentation, these 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) effectively control and direct the Company and is involved in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

REPORT OF THE BOARD OF DIRECTORS

STATEMENT OF THE BOARD OF DIRECTORS

The accompanying financial statements, which present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

On behalf of the Board of Directors,

Oknha Phou Puy
Chairman

Phnom Penh, Kingdom of Cambodia

Date: 30 April 2019

REPORT OF THE INDEPENDENT AUDITORS

To the Shareholder of Intean Poalroath Rongroeurng Ltd.

Opinion

We have audited the financial statements of Intean Poalroath Rongroeurng Ltd. (the “Company”), which comprise the balance sheet as at 31 December 2018, and the income statement, the statement of changes in shareholder’s equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 49.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Intean Poalroath Rongroeurng Ltd. as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia.

Basis for opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CIASs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor’s Report Thereon

Management is responsible for the other information. The other information comprises the Report of the Board of Directors set out on pages 1 to 4.

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

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

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by 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.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting

REPORT OF THE INDEPENDENT AUDITORS

unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

For Deloitte (Cambodia) Co., Ltd.



Ung Kimsopheaktra
Director
Phnom Penh, Kingdom of Cambodia
Date: 30 April 2019

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	31 December 2018		31 December 2017	
		US\$	Riel'000	US\$	Riel'000
ASSETS					
Cash on hand	4	71,790	288,452	106,956	431,781
Balances with the NBC	5	157,028	630,939	156,193	630,551
Balances with other banks	6	925,385	3,718,197	1,064,544	4,297,564
Loans to customers	7	6,286,935	25,260,905	8,774,571	35,422,943
Other assets	8	190,416	765,091	253,569	1,023,658
Property and equipment	9	45,655	183,442	72,987	294,649
Intangible assets	10	404	1,623	2,091	8,441
Profit tax credit	21(a)	22,332	89,730	22,227	89,730
Deferred tax assets	21(b)	55,597	223,389	53,171	214,651
Total assets		7,755,542	31,161,768	10,506,309	42,413,968
LIABILITIES AND SHAREHOLDER'S EQUITY					
LIABILITIES					
Other liabilities	11	70,119	281,738	126,022	508,751
Current income tax liabilities	21(c)	5,856	23,529	46,668	188,397
Borrowings	12	583,335	2,343,840	3,188,755	12,873,004
Provision for severance pay	13	-	-	150,363	607,015
Total liabilities		659,310	2,649,107	3,511,808	14,177,167
SHAREHOLDER'S EQUITY					
Share capital	14	3,088,645	12,410,176	3,088,645	12,468,860
Retained earnings		4,007,587	16,102,485	3,905,856	15,767,941
Total shareholder's equity		7,096,232	28,512,661	6,994,501	28,236,801
Total liabilities and shareholder's equity		7,755,542	31,161,768	10,506,309	42,413,968

INCOME STATEMENT

AS AT 31 DECEMBER 2018

	Note	Year ended 31 December 2018		Year ended 31 December 2017	
		US\$	Riel'000	US\$	Riel'000
Interest income	15	1,426,207	5,730,500	2,267,048	9,152,073
Interest expense	16	(171,617)	(689,557)	(564,748)	(2,279,888)
Net interest income		1,254,590	5,040,943	1,702,300	6,872,185
Other operating income	17	309,850	1,244,977	330,071	1,332,497
Operating income		1,564,440	6,285,920	2,032,371	8,204,682
Personnel expenses	18	(528,203)	(2,122,320)	(674,684)	(2,723,699)
Depreciation and amortisation		(35,640)	(143,202)	(52,116)	(210,392)
Other operating expenses	19	(376,642)	(1,513,348)	(560,143)	(2,261,297)
Allowance for credit facilities	20	(486,824)	(1,956,059)	(322,139)	(1,300,475)
Profit before income tax		137,131	550,991	423,289	1,708,819
Income tax expense	21(d)	(35,400)	(142,237)	(89,515)	(361,372)
Profit for the year		101,731	408,754	333,774	1,347,447

STATEMENT OF CHANGES IN SHARE- HOLDER'S EQUITY

AS AT 31 DECEMBER 2018

	Share capital US\$	Retained earnings US\$	Total US\$
Balance as at 1 January 2017	3,088,645	3,572,082	6,660,727
Profit for the year	-	333,774	333,774
Balance as at 31 December 2017	3,088,645	3,905,856	6,994,501
<i>In Riel'000 equivalent</i>	<i>12,468,860</i>	<i>15,767,941</i>	<i>28,236,801</i>
Balance as at 1 January 2018	3,088,645	3,905,856	6,994,501
Profit for the year	-	101,731	101,731
Balance as at 31 December 2018	3,088,645	4,007,587	7,096,232
<i>In Riel'000 equivalent</i>	<i>12,410,176</i>	<i>16,102,485</i>	<i>28,512,661</i>

STATEMENT OF CASH FLOWS

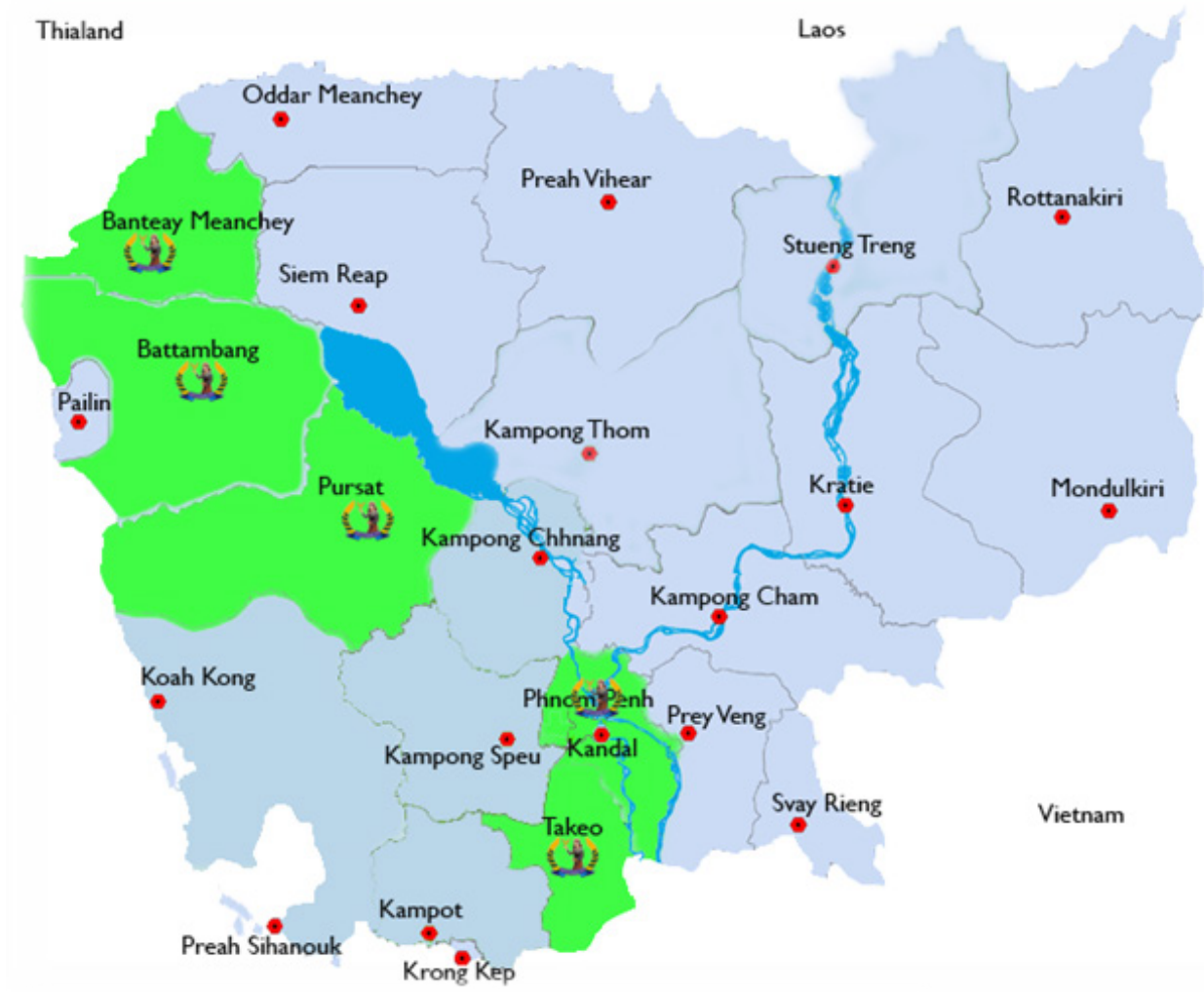
AS AT 31 DECEMBER 2018

	Note	Year ended 31 December 2018		Year ended 31 December 2017	
		US\$	Riel'000	US\$	Riel'000
Cash flows from operating activities					
Profit before income tax		137,131	550,991	423,289	1,708,819
<i>Adjustments for:</i>					
Interest income	15	(1,426,207)	(5,730,500)	(2,267,048)	(9,152,073)
Interest expense	16	171,617	689,557	564,748	2,279,888
Depreciation and amortisation		35,640	143,202	52,116	210,392
Loss on assets written off		485	1,949	545	2,200
Exchange difference on borrowings		3,323	13,352	71,624	289,144
Allowance for credit facilities	20	486,824	1,956,059	322,139	1,300,475
Provision for severance pay	13	(5,781)	(23,228)	30,666	123,799
<i>Changes in working capital</i>					
Loans to customers		2,010,159	8,076,819	2,019,158	8,151,341
Other assets		(36,219)	(145,528)	(28,585)	(115,398)
Other liabilities		(3,503)	(14,075)	(73,715)	(297,587)
		1,373,469	5,518,598	1,114,937	4,501,000
Interest received		1,525,579	6,129,776	2,450,206	9,891,482
Interest paid		(224,017)	(900,100)	(627,009)	(2,531,235)
Income tax paid	21	(78,743)	(316,389)	(188,321)	(760,252)
Severance paid	13	(144,582)	(580,930)	(21,011)	(84,822)
Net cash generated from operating activities		2,451,706	9,850,955	2,728,802	11,016,173
Cash flows from investing activities					
Purchases of property and equipment	9	(7,106)	(28,552)	(44,117)	(178,100)
Net cash used in investing activities		(7,106)	(28,552)	(44,117)	(178,100)
Cash flows from financing activities					
Proceeds from borrowings		200,000	803,600		
Repayments of borrowings		(2,808,743)	(11,285,531)	(3,180,019)	(12,837,737)
Net cash used in financing activities		(2,608,743)	(10,481,931)	(3,180,019)	(12,837,737)
Net decrease in cash and cash equivalents					
		(164,143)	(659,528)	(495,334)	(1,999,664)
Cash and cash equivalents at beginning of the year		1,160,761	4,685,992	1,656,095	6,685,656
Currency translation differences		-	(22,053)	-	-
Cash and cash equivalents at end of the year	22	996,618	4,004,411	1,160,761	4,685,992

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▶ Takaev Branch



BANTEAY MEANCHEY PROVINCE

▶ Banteay Meanchey Branch



BAT DAMBANG PROVINCE

- ▶ Phnum Proek Branch
- ▶ Bat Dambang Branch
- ▶ Sampov Loun
- ▶ Samlout Branch



PURSAT PROVINCE

▶ Pursat Branch

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