

INTEAN POALROATH RONGROEURNG LTD.
(Registration No.00017643)

**REPORT OF THE BOARD OF DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

INTEAN POALROATH RONGROEURNG LTD.

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INTEAN POALROATH RONGROEURNG LTD

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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 2016.

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 2016 is set out in the income statement on page 9 of the financial statements.

A dividend of US\$1,300,000 was approved by the resolution of the board of directors dated 11 January 2016. The payments of US\$1,000,000 and US\$300,000 were made on 15 February 2016 and 24 February 2016 respectively.

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 were 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 provision for bad and doubtful loans. The Board of Directors has satisfied itself that all known bad loans have been written off and that adequate provisions have been made for bad and doubtful loans.

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

ASSETS

Before the Company's financial statements were drawn up, the 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 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 2016 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 already 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. Mak Sarun Director
- Mr. Min Kimsan Director
- Mr. Hsu Ming Yee Independent director
- Mr. Chan Sophal Independent director
- Mr. Mao Savin Independent director
- Mrs. Pok Nivilay Independent director

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:

	31 December 2016		31 December 2015	
	Holding %	Number of shares of US\$119 each	Holding %	Number of shares of US\$119 each
Oknha Phou Puy	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 ensure that the financial statements are properly drawn up, so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2016, 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:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- comply with the disclosure requirements of Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia;
- maintain adequate accounting records and an effective system of internal controls;
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- 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 confirm that the Company has complied with the above requirements in preparing the financial statements.

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 2016, 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,




Oknha Phou Puy
Chairman

Phnom Penh, Kingdom of Cambodia
Date:

INDEPENDENT AUDITOR'S REPORT

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 2016, 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 and other explanatory as set out on pages 8 to 48

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 2016, 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.

Other matters

The financial statements of the Company as at and for the year ended 31 December 2015, were audited by another auditor who expressed an unmodified opinion on those statements on 05 April 2016.

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.

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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 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 are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with CISAs, we exercise professional 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.

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- 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 the Board of Directors 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.



Khoy Kimleng
Director

Phnom Penh, Kingdom of Cambodia

Date: 28 APR 2017

INTEAN POALROATH RONGROEURNG LTD.

**BALANCE SHEET
AS AT 31 DECEMBER 2016**

	Note	31 December 2016		31 December 2015	
		US\$	Riel '000	US\$	Riel '000
ASSETS					
Cash on hand	4	86,372	348,684	94,852	384,151
Balances with the NBC	5	155,688	628,512	155,383	629,301
Deposits with banks	6	1,580,967	6,382,364	2,242,786	9,083,283
Loans to customers	7	11,115,868	44,874,759	9,220,281	37,342,138
Other assets	8	408,142	1,647,669	513,271	2,078,750
Property and equipment	9	67,058	270,713	78,491	317,889
Intangible assets	10	16,564	66,869	40,170	162,689
Profit tax credit	20(a)	22,227	89,730	63,835	258,532
Deferred tax assets	20(b)	72,960	294,540	89,015	360,511
Total assets		13,525,846	54,603,840	12,498,084	50,617,244
LIABILITIES AND SHAREHOLDER'S EQUITY					
LIABILITIES					
Borrowings	11	6,297,150	25,421,595	4,611,961	18,678,442
Other liabilities	12	261,998	1,057,686	291,286	1,179,713
Provision for severance pay	13	140,708	568,038	137,527	556,984
Current income tax liabilities	20(c)	165,263	667,167	168,326	681,720
Total liabilities		6,865,119	27,714,486	5,209,100	21,096,859
SHAREHOLDER'S EQUITY					
Share capital	14	3,088,645	12,468,860	3,088,645	12,509,012
Retained earnings		3,572,082	14,420,494	4,200,339	17,011,373
Total shareholder's equity		6,660,727	26,889,354	7,288,984	29,520,385
Total liabilities and shareholder's equity		13,525,846	54,603,840	12,498,084	50,617,244

The accompanying notes on pages 12 to 48 form an integral part of these financial statements.

INTEAN POALROATH RONGROEURNG LTD.

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	For year ended 31 December 2016		For year ended 31 December 2015	
		US\$	Riel '000	US\$	Riel '000
Interest income	15	2,861,928	11,553,603	2,334,287	9,453,862
Interest expense	16	(615,897)	(2,486,376)	(313,566)	(1,269,942)
Net interest income		2,246,031	9,067,227	2,020,721	8,183,920
Other operating income	17	61,029	246,374	43,839	177,548
Operating income		2,307,060	9,313,601	2,064,560	8,361,468
Personnel expenses	18	(672,743)	(2,715,863)	(554,046)	(2,243,886)
Depreciation and amortisation charges		(56,228)	(226,992)	(55,465)	(224,633)
Other expenses	19	(543,186)	(2,192,843)	(492,277)	(1,993,722)
Provision for bad and doubtful loans	7	(108,088)	(436,351)	(91,145)	(369,137)
Operating profit before income tax		926,815	3,741,552	871,627	3,530,090
Income tax expense	20(d)	(255,072)	(1,029,726)	(205,124)	(830,752)
Profit for the year		<u>671,743</u>	<u>2,711,826</u>	<u>666,503</u>	<u>2,699,338</u>

The accompanying notes on pages 12 to 48 form an integral part of these financial statements.

INTEAN POALROATH RONGROEURNG LTD.

**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Share capital US\$	Retained earnings US\$	Total US\$
Balance as at 1 January 2015	3,088,645	3,533,836	6,622,481
Profit for the year	-	666,503	666,503
Balance as at 31 December 2015	<u>3,088,645</u>	<u>4,200,339</u>	<u>7,288,984</u>
<i>In KHR' 000 equivalent</i>	<u>12,509,012</u>	<u>17,011,373</u>	<u>29,520,385</u>
Balance as at 1 January 2016	3,088,645	4,200,339	7,288,984
Profit for the year		671,743	671,743
Dividend paid	-	(1,300,000)	(1,300,000)
Balance as at 31 December 2016	<u>3,088,645</u>	<u>3,572,082</u>	<u>6,660,727</u>
<i>In KHR' 000 equivalent</i>	<u>12,468,860</u>	<u>14,420,494</u>	<u>26,889,354</u>

The accompanying notes on pages 12 to 48 form an integral part of these financial statements.

INTEAN POALROATH RONGROEURNG LTD.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	For year ended 31 December 2016		For year ended 31 December 2015	
		US\$	Riel '000	US\$	Riel '000
Cash flows from operating activities					
Profit before income tax		926,815	3,741,552	871,627	3,530,090
<i>Adjustments for:</i>					
Interest income		(2,861,928)	(11,553,603)	(2,334,287)	(9,453,862)
Interest expense		615,897	2,486,376	313,566	1,269,942
Depreciation and amortisation charges		56,228	226,992	55,465	224,633
Loss on assets written off		8,636	34,864	266	1,077
Provision for bad and doubtful loans		108,088	436,351	91,145	369,137
Provision for severance pay		35,482	143,241	30,239	122,468
<i>Changes in working capital</i>					
Loans to customers		(2,003,675)	(8,088,836)	(1,836,036)	(7,435,946)
Other assets		140,712	568,054	(30,281)	(122,638)
Other liabilities		(67,470)	(272,376)	155,568	630,050
		<u>(3,041,215)</u>	<u>(12,277,385)</u>	<u>(2,682,728)</u>	<u>(10,865,049)</u>
Interest received		2,826,352	11,409,983	2,319,415	9,393,631
Interest paid		(577,718)	(2,332,248)	(427,156)	(1,729,982)
Income tax paid		(200,472)	(809,305)	(250,624)	(1,015,027)
Severance paid		(32,301)	(130,399)	(11,995)	(48,580)
Net cash used in operating activities		<u>(1,025,354)</u>	<u>(4,139,354)</u>	<u>(1,053,088)</u>	<u>(4,265,007)</u>
Cash flows from investing activities					
Purchases of property and equipment	9	(29,829)	(120,420)	(41,496)	(168,059)
Purchases of intangible assets	10	-	-	(6,750)	(27,338)
Net cash used in investing activities		<u>(29,829)</u>	<u>(120,420)</u>	<u>(48,246)</u>	<u>(195,397)</u>
Cash flows from financing activities					
Proceeds from borrowings		2,081,061	8,401,243	3,170,294	12,839,691
Repayments of borrowings		(399,285)	(1,611,914)	(806,666)	(3,266,997)
Exchange difference on borrowings		3,413	13,778	-	-
Dividend paid		(1,300,000)	(5,248,100)	-	-
Net cash generated from financing activities		385,189	1,555,007	2,363,628	9,572,694
Net (decrease)/increase in cash and cash equivalents		(669,994)	(2,704,767)	1,262,294	5,112,290
Cash and cash equivalents at beginning of the year		2,326,089	9,420,660	1,063,795	4,334,965
Currency translation differences		-	(30,237)	-	(26,595)
Cash and cash equivalents at end of the year	21	<u>1,656,095</u>	<u>6,685,656</u>	<u>2,326,089</u>	<u>9,420,660</u>

The accompanying notes on pages 12 to 48 form an integral part of these financial statements.

INTEAN POALROATH RONGROEURNG LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. BACKGROUND INFORMATION

Intean Poalroath Rongroeurng Ltd. ("IPR" or "the Company"), formerly known as a credit unit of the Federation of the Cambodian Rice Millers Association, is engaged in the provision of micro financing activities in five branches located in Phnom Penh, Takeo, Battambang and Phnom Proek (Battambang), Banteay Meanchey and Pursat.

The Company was incorporated with the Ministry of Commerce on 19 July 2005. The Company obtained its licence from the National Bank of Cambodia ("the NCB") to operate as a microfinance institution on 18 August 2005. The Company obtained a permanent microfinance licence from the NBC on 24 June 2008.

The principal activity of the Company is to provide credit services to improve the living standard in terms of rural development through its head office in Phnom Penh and its branches in 4 provinces of Takeo, Pursat, Battambang and Banteay Meanchey.

The Company's registered office is located at No. 779A, St. Kampuchea Krom (128), Sangkat Teuk Laak I, Khan Toul Kork, Phnom Penh, Kingdom of Cambodia.

The financial statements were approved for issue by the Board of Directors on dd mm 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements of the Company, which are expressed in United States Dollars ("US\$"), are prepared under the historical cost convention and drawn up in accordance with Cambodian Accounting Standards ("CAS") and relevant accounting regulations and guidelines issued by the NBC.

The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are therefore not intended to present the financial position, financial performance and cash flows in accordance with jurisdictions other than the Kingdom of Cambodia. Consequently, these financial statements are only addressed to those who are informed about Cambodian accounting principles, procedures and practices.

The preparation of financial statements in accordance with the relevant accounting regulations and guidelines issued by the NBC and CAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

INTEAN POALROATH RONGROEURNG LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Financial reporting framework

On 28 August 2009, the National Accounting Council ("NAC") of the Ministry of Economy and Finance ("MoEF") announced the adoption of Cambodian International Financial Reporting Standards ("CIFRS") which are based on all standards published by International Accounting Standard Board including other interpretation and amendment. Public accountable entities shall prepare their financial statements in accordance with CIFRS for accounting periods beginning on or after 1 January 2012.

The NAC of the MoEF through Circular No. 086 MoEF.NAC dated 30 July 2012 approves banks and financial institutions to delay adoption of CIFRS until the periods beginning on or after 1 January 2016. On 24 March 2016, the NAC issued a Notification No. 058 MoEF.NAC to banks and financial institutions on the delay in adoption of CIFRS until the periods beginning on or after 1 January 2019, following the request of the NBC dated 16 November 2016.

The current accounting standards used are different to CIFRS in many areas. Hence, the adoption of CIFRS may have a significant impact on the financial statements of the Company. Management is still assessing the full impact of the change to CIFRS framework at the date of this report.

2.3 Basis of aggregation

The financial statements include the financial statements of the head office and its branches within the Kingdom of Cambodia. On aggregation, all significant inter-branch balances and transactions are eliminated in full.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The management has determined the US\$ to be the Company's functional currency owing to the significant influence of the US\$ on its operations. The financial statements are presented in US\$, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in currencies other than US\$, the functional and presentation currency, are translated into US\$ at the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than US\$, are recognised in the income statement.

INTEAN POALROATH RONGROEURNG LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(iii) Presentation in Khmer Riel

In compliance with the Law on Accounting and Auditing date 11 April 2016, a translation of the financial statements from US\$ to Khmer Riel is required.

Translations of US\$ into Khmer Riel are included in the financial statements solely for compliance with the Prakas No. B7-07-164 dated 13 December 2007 of the NBC relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$ 1 to Riel 4,037 (2015: US\$ 1 to Riel 4,050) published by the NBC.

The financial statements expressed in Khmer Riel are unaudited and should not be construed as representation that the US\$ amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other exchange rate.

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, unrestricted balances with the NBC, and balances with other banks, and other short-term highly liquid investments with original maturities of three months or less where the Company has full ability to withdraw for general purpose whenever needed and is subject to insignificant change in value.

2.6 Loans to customers

Loans to customers are stated in the balance sheet at the amount of principal outstanding less any amounts written off and specific and general provisions for bad and doubtful loans.

Loans are written off when there is no realistic prospect of recovery.

2.7 Provision for bad and doubtful loans

The adequacy of the provision for bad and doubtful loans is evaluated monthly by management.

The Company follows the mandatory credit classification and provisioning as required by Prakas B7-02-186 dated 13 September 2002. The Prakas requires microfinance institutions to classify their loan portfolio into the following four classes based on number of days past due of principal and/or interest repayment and ensure that the minimum mandatory level of specific provisioning is provided depending on loan classification, regardless of the assets (except cash) pledged as collateral, as follows:

INTEAN POALROATH RONGROEURNG LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Provision for bad and doubtful loans (continued)

Classification	Number of days past due	Specific provision
<i>Short-term loan (one year or less)</i>		
Standard	0 - 29 days	0%
Sub-standard	30 - 59 days	10%
Doubtful	60 - 89 days	30%
Loss	90 days or more	100%
<i>Long-term loan (more than one year)</i>		
Standard	0 - 29 days	0%
Sub-standard	30 - 179 days	10%
Doubtful	180 - 359 days	30%
Loss	360 days or more	100%

In addition to the specific provisions above, an additional general provision is made at the rate of 1% (2015: 1%) of outstanding standard loans as at 31 December 2016 which is based on the Company's experience and industry prospects. Management believes that this more reasonably reflects the provision necessary to absorb risks relating to problems in the macroeconomic environment, natural disasters, and widespread deterioration in rural household income, which would render customers incapable of reimbursing their outstanding loans.

Loans are written off when they are considered uncollectible. Recoveries of loans previously written off or provided for decrease the amount of the provision for bad and doubtful loans in the income statement.

2.8 Provision for severance pay

The Company provides its employees with benefits under severance pay which is calculated on a pro-rata basis at the rate of one month salary for every year worked.

Upon resignation or retirement, an employee who has worked for the Company for three years or more is entitled to a lump sum payment of the amount accrued for the individual employee.

The severance funds are maintained in current accounts under the name of the Company and the withdrawal can only be made upon resignation or retirement.

2.9 Property and equipment

Items of property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Property and equipment (continued)

The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation of property and equipment is charged to the income statement based on the straight-line method. The estimated useful lives range as follows:

	Years
Building	20
Leasehold improvements	4
Computers and office equipment	4
Furniture and fixtures	4
Motor vehicles	5

The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

2.10 Intangible assets

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use. These costs are amortised at 25% per annum using straight-line method.

Costs associated with maintaining computer software are recognised as an expense when incurred.

2.11 Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows (cash-generating units).

Any impairment loss is charged to income statement in the year in which it arises. Reversal of impairment loss is recognised in the income statement to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised.

INTEAN POALROATH RONGROEURNG LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Borrowings

Borrowings are recognised initially at cost and subsequently stated at the amount of the principal outstanding. Fees paid on the establishment of borrowing facilities are charged to income statement.

2.13 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.14 Current and deferred income tax

The current income tax, recognised in the income statement, is calculated on the basis of the tax laws enacted or substantively enacted by the reporting date in the Kingdom of Cambodia where the Company operates and generates taxable income.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.15 Interest income and expense recognition

Interest income earned on loans is recognised on an accrual basis taking into consideration the principal amount of loans outstanding. When a loan becomes non-performing (past due 30 days or more), the recording of interest as income is suspended until it is realised on a cash basis.

Interest expenses on borrowings are recognised on an accrual basis.

INTEAN POALROATH RONGROEURNG LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Operating leases

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Key sources of estimation uncertainty

a) Provision for bad and doubtful loans

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas No. B7-02-186 dated 13 September 2002 of the NBC. The NBC requires microfinance institutions to classify their loan portfolios into four classes, and a minimum mandatory level of provision is made depending on the classification concerned. For the purpose of loan classification, the Company is required to take into account the borrower's historical payment experience and financial condition.

In addition to the required provision, an additional provision for loan losses is made at the rate of 1% (2015: 1%) of all outstanding loans, which is based on the Company's experience and industry prospects.

b) Taxes

The taxation system in Cambodia is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Taxes are subject to review and investigation by a number of authorities, which are empowered by law to impose fines, penalties and interest charges.

These factors may create significant tax exposures for the Company. Directors believe that they have understood relevant tax regulations and adequately provided for tax liabilities based on their interpretation of the current tax legislation. However, where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

INTEAN POALROATH RONGROEURNG LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS** (continued)**(ii) Critical judgments in applying accounting policies**

There are no critical judgements made by the Management in the process of applying the Company's accounting policies that have the most significant effect on the amount recognised in these financial statements apart from those involving estimates, which are dealt with above.

4. CASH ON HAND

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Head office (Phnom Penh)	11,064	44,665	2,426	9,825
Provincial branches				
Takeo	20,004	80,756	31,968	129,470
Pursat	17,580	70,970	20,346	82,403
Phnom Proek	11,422	46,111	17,144	69,433
Battambang	16,976	68,532	16,359	66,254
Banteay Meanchey	9,326	37,650	6,609	26,766
	<u>86,372</u>	<u>348,684</u>	<u>94,852</u>	<u>384,151</u>

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

5. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Current account	1,256	5,070	951	3,851
Statutory capital deposit*	154,432	623,442	154,432	625,450
	<u>155,688</u>	<u>628,512</u>	<u>155,383</u>	<u>629,301</u>

* In compliance with Prakas B7-06-209 dated 13 September 2006 on the Licensed Microfinance Institutions, the Company is required to maintain a statutory capital deposit with the NBC of 5% of paid-up capital. This deposit is refundable should the Company voluntarily liquidate.

The statutory capital deposit in US\$ earns interest from 0.20% to 0.22% per annum (2015: 0.11%). The interest payment is settled semi-annually.

6. DEPOSITS WITH BANKS

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
<i>Local banks:</i>				
Current accounts	499,233	2,015,404	1,044,011	4,228,245
Savings accounts	1,069,234	4,316,497	586,275	2,374,413
Term deposits	12,500	50,463	612,500	2,480,625
	<u>1,580,967</u>	<u>6,382,364</u>	<u>2,242,786</u>	<u>9,083,283</u>

Annual interest rates on the balances with other banks are summarised as follows:

	31 December 2016	31 December 2015
Current accounts	0%	0%
Savings accounts	0.15% - 0.25%	0.05% - 0.25%
Term deposits	3.25%	2.50% - 4.50%

7. LOANS TO CUSTOMERS

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Individual loans	<u>11,302,221</u>	<u>45,627,066</u>	<u>9,389,014</u>	<u>38,025,507</u>
	<u>11,302,221</u>	<u>45,627,066</u>	<u>9,389,014</u>	<u>38,025,507</u>
Provision for bad and doubtful loans				
Specific	(75,444)	(304,567)	(76,007)	(307,828)
General	(110,909)	(447,740)	(92,726)	(375,541)
	<u>(186,353)</u>	<u>(752,307)</u>	<u>(168,733)</u>	<u>(683,369)</u>
	<u>11,115,868</u>	<u>44,874,759</u>	<u>9,220,281</u>	<u>37,342,138</u>

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

7. LOANS TO CUSTOMERS (continued)

The movements in provision for bad and doubtful loans to customers were as follows:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
At the beginning of year	168,733	683,369	107,738	439,033
Provision during the year	108,088	436,351	91,145	369,137
Written off during the year	(90,884)	(366,899)	(27,261)	(110,407)
Exchange difference	416	(514)	(2,889)	(14,394)
At the end of year	<u>186,353</u>	<u>752,307</u>	<u>168,733</u>	<u>683,369</u>

Loans to customers are analysed as follows:

(a) By maturity:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
No later than 1 month	525,052	2,119,635	480,866	1,947,508
Later than 1 month and no later than 3 months	2,364,546	9,545,672	2,640,243	10,692,984
Later than 3 months and no later than 12 months	1,614,064	6,515,976	2,672,905	10,825,265
Later than 12 months	6,798,559	27,445,783	3,595,000	14,559,750
	<u>11,302,221</u>	<u>45,627,066</u>	<u>9,389,014</u>	<u>38,025,507</u>

(b) By currency:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
US Dollars	9,333,187	37,678,076	6,825,732	27,644,215
Thai Baht	1,366,101	5,514,950	1,580,612	6,401,479
Khmer Riel	602,933	2,434,040	982,670	3,979,813
	<u>11,302,221</u>	<u>45,627,066</u>	<u>9,389,014</u>	<u>38,025,507</u>

(c) By economic sector:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Agriculture	10,744,912	43,377,210	8,817,284	35,710,000
Service	416,320	1,680,684	396,741	1,606,801
Others	140,989	569,172	174,989	708,706
	<u>11,302,221</u>	<u>45,627,066</u>	<u>9,389,014</u>	<u>38,025,507</u>

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

7. LOANS TO CUSTOMERS (continued)

(d) By residents:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Residents	<u>11,302,221</u>	<u>45,627,066</u>	<u>9,389,014</u>	<u>38,025,507</u>

(e) By relationship:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
External customers	11,222,008	45,303,246	9,389,014	38,025,507
Staff loans	<u>80,213</u>	<u>323,820</u>	-	-
	<u>11,302,221</u>	<u>45,627,066</u>	<u>9,389,014</u>	<u>38,025,507</u>

(f) By performance:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
<i>Unsecured loans*</i>				
Standard loans	11,090,908	44,773,996	9,262,164	37,511,764
Sub-standard loans	113,122	456,674	41,355	167,488
Doubtful loans	48,656	196,424	18,480	74,844
Loss loans	<u>49,535</u>	<u>199,972</u>	<u>67,015</u>	<u>271,411</u>
	<u>11,302,221</u>	<u>45,627,066</u>	<u>9,389,014</u>	<u>38,025,507</u>

* Unsecured loans represent the uncollateralised loans and loans secured by soft title deeds which is not issued by cadastral departments.

(g) By location:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Phnom Penh	80,213	323,820	-	-
Phnom Proek	1,548,714	6,252,158	3,471,764	14,060,644
Pursat	2,059,671	8,314,892	2,271,657	9,200,211
Takeo	1,465,467	5,916,090	1,815,082	7,351,082
Battambang	5,378,327	21,712,306	1,345,472	5,449,162
Banteay Meanchey	<u>769,829</u>	<u>3,107,800</u>	<u>485,039</u>	<u>1,964,408</u>
	<u>11,302,221</u>	<u>45,627,066</u>	<u>9,389,014</u>	<u>38,025,507</u>

INTEAN POALROATH RONGROEURNG LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****7. LOANS TO CUSTOMERS (continued)****(h) By interest rate (per annum)****(i) By relationship**

	<u>31 December 2016</u>	<u>31 December 2015</u>
External customers	20.4% - 36.0%	20.4% - 36.0%
Staff loans	15.6%	-

(i) By currencies

	<u>31 December 2016</u>	<u>31 December 2015</u>
US Dollars	15.6% - 36.0%	20.4% - 34.8%
Thai Baht	25.0% - 34.8%	24.0% - 36.0%
Khmer Riel	25.2% - 36.0%	25.2% - 36.0%

8. OTHER ASSETS

	<u>31 December 2016</u>		<u>31 December 2015</u>	
	<u>US\$</u>	<u>Riel '000</u>	<u>US\$</u>	<u>Riel '000</u>
Accrued interest receivable	373,426	1,507,521	337,843	1,368,264
Prepayments	31,903	128,792	29,381	118,993
Other receivables	2,813	11,356	146,047	591,493
	<u>408,142</u>	<u>1,647,669</u>	<u>513,271</u>	<u>2,078,750</u>

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

9. PROPERTY AND EQUIPMENT

	Buildings US\$	Leasehold improvements US\$	Computers and office equipment US\$	Furniture and fixtures US\$	Motor vehicles US\$	Work in progress US\$	Total US\$
Cost							
At 1 January 2016	22,485	6,020	73,617	53,178	9,125	-	164,425
Additions	-	3,073	16,371	10,385	-	-	29,829
Write-off	(22,485)	-	-	(783)	-	-	(23,268)
At 31 December 2016	-	9,093	89,988	62,780	9,125	-	170,986
Accumulated depreciation							
At 1 January 2016	(11,992)	(1,505)	(43,036)	(24,686)	(4,715)	-	(85,934)
Depreciation charge	(1,874)	(1,895)	(15,383)	(11,649)	(1,825)	-	(32,626)
Written-off	13,866	-	-	766	-	-	14,632
At 31 December 2016	-	(3,400)	(58,419)	(35,569)	(6,540)	-	(103,928)
Net book value	-	5,693	31,569	27,211	2,585	-	67,058
<i>In KHR' 000 equivalent</i>	-	22,983	127,444	109,851	10,436	-	270,713

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

9. PROPERTY AND EQUIPMENT (continued)

	Buildings US\$	Leasehold improvements US\$	Computers and office equipment US\$	Furniture and fixtures US\$	Motor vehicles US\$	Work in progress US\$	Total US\$
Cost							
At 1 January 2015	22,485	-	53,041	34,517	9,125	5,410	124,578
Additions	-	-	22,225	18,661	-	610	41,496
Transfers	-	6,020	-	-	-	(6,020)	-
Written-off	-	-	(1,649)	-	-	-	(1,649)
At 31 December 2015	<u>22,485</u>	<u>6,020</u>	<u>73,617</u>	<u>53,178</u>	<u>9,125</u>	<u>-</u>	<u>164,425</u>
Accumulated depreciation							
At 1 January 2015	(7,495)	-	(30,113)	(14,556)	(2,890)	-	(55,054)
Depreciation charge	(4,497)	(1,505)	(14,306)	(10,130)	(1,825)	-	(32,263)
Written-off	-	-	1,383	-	-	-	1,383
At 31 December 2015	<u>(11,992)</u>	<u>(1,505)</u>	<u>(43,036)</u>	<u>(24,686)</u>	<u>(4,715)</u>	<u>-</u>	<u>(85,934)</u>
Net book value	<u>10,493</u>	<u>4,515</u>	<u>30,581</u>	<u>28,492</u>	<u>4,410</u>	<u>-</u>	<u>78,491</u>
<i>In KHR' 000 equivalent</i>	<u>42,497</u>	<u>18,286</u>	<u>123,853</u>	<u>115,393</u>	<u>17,861</u>	<u>-</u>	<u>317,890</u>

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

10. INTANGIBLE ASSETS

	Computer software US\$	Total US\$
Cost		
At 1 January 2016	94,422	94,422
Additions	-	-
At 31 December 2016	<u>94,422</u>	<u>94,422</u>
Accumulated amortisation		
At 1 January 2016	(54,252)	(54,252)
Amortisation charge	<u>(23,606)</u>	<u>(23,606)</u>
At 31 December 2016	<u>(77,858)</u>	<u>(77,858)</u>
Net book value	<u>16,564</u>	<u>16,564</u>
<i>In KHR' 000 equivalent</i>	<u>66,869</u>	<u>66,869</u>
Cost		
At 1 January 2015	87,672	87,672
Additions	<u>6,750</u>	<u>6,750</u>
At 31 December 2015	<u>94,422</u>	<u>94,422</u>
Accumulated depreciation		
At 1 January 2015	(31,050)	(31,050)
Amortisation charge	<u>(23,202)</u>	<u>(23,202)</u>
At 31 December 2015	<u>(54,252)</u>	<u>(54,252)</u>
Net book value	<u>40,170</u>	<u>40,170</u>
<i>In KHR' 000 equivalent</i>	<u>162,689</u>	<u>162,689</u>

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. BORROWINGS

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Hivos-Triodos Fonds	2,000,000	8,074,000	1,500,000	6,075,000
Triple Jump	1,500,850	6,058,932	1,500,850	6,078,443
Luxembourg Microfinance Development Fund	798,572	3,223,835	944,444	3,824,998
Triple Jump B.V	521,061	2,103,523	-	-
Mr. Hsu Ming-Yee (note 22b)	500,000	2,018,500	500,000	2,025,000
OikoCredit	500,000	2,018,500	-	-
Phillip Bank	416,667	1,682,085	166,667	675,001
Mr. Mak Sarun (note 22b)	60,000	242,220	-	-
	<u>6,297,150</u>	<u>25,421,595</u>	<u>4,611,961</u>	<u>18,678,442</u>

The above borrowings are analysed as follows:

(a) By maturity:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
No later than 1 year	1,500,850	6,058,931	1,166,667	4,725,001
Later than 1 year and no later than 5 years	4,796,300	19,362,664	3,445,294	13,953,441
	<u>6,297,150</u>	<u>25,421,595</u>	<u>4,611,961</u>	<u>18,678,442</u>

(b) By currency:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
US Dollars	5,477,517	22,112,736	4,167,517	16,878,444
Thai Baht	819,633	3,308,859	444,444	1,799,998
	<u>6,297,150</u>	<u>25,421,595</u>	<u>4,611,961</u>	<u>18,678,442</u>

(c) By interest rate (per annum):

	31 December 2016	31 December 2015
US Dollars	9.30% to 11.05%	9.30% to 10.59%
Thai Baht	13.37% to 13.95%	13.37%

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

12. OTHER LIABILITIES

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Deferred interest income	105,963	427,773	162,875	659,644
Accrued interest payable	116,818	471,594	78,639	318,488
Other tax payables	15,336	61,911	19,444	78,748
Other payables	23,881	96,408	30,328	122,833
	<u>261,998</u>	<u>1,057,686</u>	<u>291,286</u>	<u>1,179,713</u>

13. PROVISION FOR SEVERANCE PAY

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
At the beginning of year	137,527	556,984	119,283	486,078
Charges during the year	35,482	143,241	30,239	122,468
Payments made during the year	(32,301)	(130,399)	(11,995)	(48,580)
Translation difference	-	(1,788)	-	(2,982)
At the end of year	<u>140,708</u>	<u>568,038</u>	<u>137,527</u>	<u>556,984</u>

14. SHARE CAPITAL

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Registered, issued and fully paid 25,955 shares of US\$119 each Oknha Phou Puy (100%)	<u>3,088,645</u>	<u>12,468,860</u>	<u>3,088,645</u>	<u>12,509,012</u>
	<u>3,088,645</u>	<u>12,468,860</u>	<u>3,088,645</u>	<u>12,509,012</u>

15. INTEREST INCOME

	For year ended 31 December 2016		For year ended 31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Interest income from:				
Loans to customers	2,856,904	11,533,321	2,333,327	9,449,974
Deposits with banks	5,024	20,282	960	3,888
	<u>2,861,928</u>	<u>11,553,603</u>	<u>2,334,287</u>	<u>9,453,862</u>

INTEAN POALROATH RONGROEURNG LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****16. INTEREST EXPENSE**

	For year ended 31 December 2016		For year ended 31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Interest on borrowings	615,897	2,486,376	313,566	1,269,942
	<u>615,897</u>	<u>2,486,376</u>	<u>313,566</u>	<u>1,269,942</u>

17. OTHER OPERATING INCOME

	For year ended 31 December 2016		For year ended 31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Recovery of loans written off	8,661	34,964	15,490	62,735
Other income	38,045	153,588	28,349	114,813
Foreign exchange gains	14,323	57,822	-	-
	<u>61,029</u>	<u>246,374</u>	<u>43,839</u>	<u>177,548</u>

18. PERSONNEL EXPENSES

	For year ended 31 December 2016		For year ended 31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Salaries and wages	610,847	2,465,989	498,595	2,019,310
Severance pay	35,482	143,241	30,239	122,468
Training expenses	5,928	23,931	7,447	30,160
Other employee benefits	20,486	82,702	17,765	71,948
	<u>672,743</u>	<u>2,715,863</u>	<u>554,046</u>	<u>2,243,886</u>

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

19. OTHER EXPENSES

	For year ended 31 December 2016		For year ended 31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Director fees	117,365	473,803	44,365	179,678
Rental expenses	96,208	388,391	84,130	340,727
Professional fee	63,252	255,350	51,781	209,713
Fuel and vehicle operating expenses	51,401	207,506	47,316	191,630
Printing and stationery expenses	26,348	106,367	20,016	81,065
Travel and transportation expenses	25,335	102,277	18,246	73,896
Utility expenses	18,604	75,104	17,258	69,895
Communication expenses	21,929	88,527	17,204	69,676
Fees and commission on borrowing	20,478	82,670	32,490	131,585
Penalties	10,364	41,839	-	-
Bank charges	6,972	28,146	8,096	32,789
Loss on assets written-off	8,636	34,864	266	1,077
Low value assets	8,122	32,789	7,990	32,360
Insurance expenses	5,467	22,070	4,652	18,841
Entertainment expenses	5,735	23,152	3,588	14,531
Subscription fees	5,609	22,644	3,100	12,555
Marketing and advertisement expenses	3,808	15,373	1,622	6,568
Repairs and maintenance expenses	390	1,574	2,602	10,538
Rebate expenses	367	1,482	2,376	9,623
Other expenses	46,796	188,915	46,710	189,176
Foreign exchange losses	-	-	78,469	317,799
	<u>543,186</u>	<u>2,192,843</u>	<u>492,277</u>	<u>1,993,722</u>

20. TAXATION

(a) Profit tax credit

Profit tax credit represents the overpayment of income tax expense. The amount will be utilised against future tax payable upon approval from the General Department of Taxation. The management believes that they are able to recover it.

(b) Deferred tax assets, net

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred taxes relate to the same fiscal authority. The offset amounts were as follows:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Deferred tax assets	73,878	298,246	92,438	374,374
Deferred tax liabilities	(918)	(3,706)	(3,423)	(13,863)
	<u>72,960</u>	<u>294,540</u>	<u>89,015</u>	<u>360,511</u>

INTEAN POALROATH RONGROEURNG LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****20. TAXATION** (continued)**(b) Deferred tax assets, net** (continued)

The movement in deferred tax assets was as follow:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Balance at beginning of year	92,438	376,685	76,910	313,408
(Charged to)/ credited from income statement	(18,560)	(74,927)	15,528	62,888
Translation difference	-	(3,513)	-	(1,922)
Balance at end of year	<u>73,878</u>	<u>298,245</u>	<u>92,438</u>	<u>374,374</u>

The movement in deferred tax liabilities was as follow:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Balance at beginning of year	(3,423)	(13,863)	(6,886)	(28,060)
Credited from income statement	2,505	10,113	3,463	14,025
Translation difference	-	44	-	172
Balance at end of year	<u>(918)</u>	<u>(3,706)</u>	<u>(3,423)</u>	<u>(13,863)</u>

The movement in net deferred tax assets is as follow:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Balance at beginning of year	89,015	360,511	70,024	285,348
(Charged to)/ Credited from income statement	(16,055)	(64,814)	18,991	76,914
Translation difference	-	(1,157)	-	(1,751)
Balance at end of year	<u>72,960</u>	<u>294,540</u>	<u>89,015</u>	<u>360,511</u>

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

20. TAXATION (continued)

(b) Deferred tax assets, net (continued)

Deferred tax assets/(liabilities) are attributable to the following:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Severance pay and bonus	31,106	125,576	30,792	124,708
Deferred interest income	21,193	85,556	27,407	110,998
Provision for bad and doubtful loans	24,444	98,680	18,545	75,107
Unrealised exchange (gain)/loss	(2,865)	(11,566)	15,694	63,561
Depreciation and amortisation	(918)	(3,706)	(3,423)	(13,863)
	<u>72,960</u>	<u>294,540</u>	<u>89,015</u>	<u>360,511</u>

(c) Current income tax liabilities

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Balance at beginning of year	168,326	681,720	194,835	793,953
Income tax expense (Note 20 (d))	188,036	759,101	192,799	780,836
Income tax paid	(200,472)	(809,305)	(250,624)	(1,015,027)
Under provision in respect of prior year	9,373	37,840	31,316	126,830
Translation difference	-	(2,189)	-	(4,872)
Balance at end of year	<u>165,263</u>	<u>667,167</u>	<u>168,326</u>	<u>681,720</u>

(d) Income tax expense

	For year ended 31 December 2016		For year ended 31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Current tax:				
Current tax on profit for the year	188,036	759,101	192,799	780,836
Profit tax credit written down	41,608	167,971	-	-
Adjustment in respect of prior year	9,373	37,840	31,316	126,830
	<u>239,017</u>	<u>964,912</u>	<u>224,115</u>	<u>907,666</u>
Deferred tax:				
Origination and reversal of temporary differences	16,055	64,814	(18,991)	(76,914)
	<u>255,072</u>	<u>1,029,726</u>	<u>205,124</u>	<u>830,752</u>

INTEAN POALROATH RONGROEURNG LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****20. TAXATION (continued)**

Reconciliation between income tax expense and accounting profit:

	For year ended 31 December 2016		For year ended 31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Profit before income tax	926,815	3,741,552	871,627	3,530,090
Tax calculated at a rate of 20%	185,363	748,310	174,325	706,016
Expenses not deductible for tax purpose	3,875	15,643	1,029	4,167
Profit tax credit utilised	41,608	167,971	-	-
Tax impact of temporary differences	14,853	59,963	29,770	120,569
Adjustment in respect of prior year	9,373	37,839	-	-
	<u>255,072</u>	<u>1,029,726</u>	<u>205,124</u>	<u>830,752</u>

21. CASH AND CASH EQUIVALENTS

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Cash on hand	86,372	348,684	94,852	384,151
Balances with NBC - current account	1,256	5,070	951	3,851
Balances with banks matured not later than 3 months	<u>1,568,467</u>	<u>6,331,902</u>	<u>2,230,286</u>	<u>9,032,658</u>
	<u>1,656,095</u>	<u>6,685,656</u>	<u>2,326,089</u>	<u>9,420,660</u>

22. RELATED PARTY TRANSACTIONS

Transactions with directors and key management personnel are considered related party transactions.

a) Transactions with related parties

	For year ended 31 December 2016		For year ended 31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Interest paid to directors during the year (Note 22b)	<u>56,425</u>	<u>227,788</u>	<u>22,282</u>	<u>90,242</u>
	<u>56,425</u>	<u>227,788</u>	<u>22,282</u>	<u>90,242</u>

INTEAN POALROATH RONGROEURNG LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****22. RELATED PARTY TRANSACTIONS** (continued)**b) Balance with related parties**

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Amount due to:				
Mr. Hsu Ming-Yee (*)	500,000	2,018,500	500,000	2,025,000
Mr. Mak Sarun (**)	60,000	242,220	-	-
	<u>560,000</u>	<u>2,260,720</u>	<u>500,000</u>	<u>2,025,000</u>

* This represents the borrowing from Mr. Hsu Ming-Yee (director) and his relatives. The first loan amounting to US\$180,000 was obtained on 01 July 2015 with interest rate of 10.47% per annum, and the second loan amounting to US\$320,000 was obtained on 01 September 2015 with interest rate of 10.59% per annum. The interest is repayable monthly and the principal is payable on maturities which are three years from the disbursement dates.

** This represent the borrowing from Mr. Mak Sarun (director). The loan amounting to US\$60,000 was obtained on 01 June 2016 with interest rate of 10.59% per annum. The interest is repayable monthly and the principal is payable on maturity which is four years from the disbursement date.

c) Key management compensation

Key management refer to those who make critical decisions in relation to the strategic direction of the Company (including their close family members).

For the year ended 31 December 2016, the amount of US\$117,365 (2015: US\$44,365) was paid to Board of Directors as remuneration for their roles of the Company.

The total salary and other benefits paid to key management personnel during the year 2016 amounted to US\$144,914 (2015: US\$135,151).

INTEAN POALROATH RONGROEURNG LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

23. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Company leases various offices under cancellable operating lease agreements. The Company is required to give a three-month notice for the termination of these agreements. The lease expenses are charged as rental expenses in the income statement during the year.

24. DIVIDENDS

On 11 January 2016, the Board of Directors declared a dividend for the first time of US\$1,300,000 from the Company's retained earnings as of 31 December 2014 for shareholder Oknha Phou Puy. This dividend was fully paid during the year.

25. FINANCIAL RISK MANAGEMENT

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

The Company does not use derivative financial instruments such as foreign exchange contract and interest rate swap to manage its risk exposure.

The financial assets and liabilities held by the Company were as follows:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Financial assets				
Cash on hand	86,372	348,684	94,852	384,151
Balances with the NBC	155,688	628,512	155,383	629,301
Deposits with banks	1,580,967	6,382,364	2,242,786	9,083,283
Loans to customers	11,115,868	44,874,759	9,220,281	37,342,138
Other assets	373,426	1,507,521	337,843	1,368,264
Total financial assets	13,312,321	53,741,840	12,051,145	48,807,137
Financial liabilities				
Borrowings	6,297,150	25,421,595	4,611,961	18,678,442
Other liabilities	140,699	568,002	108,967	441,316
Total financial liabilities	6,437,849	25,989,597	4,720,928	19,119,758
Net financial assets	6,874,472	27,752,243	7,330,217	29,687,379

INTEAN POALROATH RONGROEURNG LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

25. FINANCIAL RISK MANAGEMENT (continued)

25.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business. Credit exposures arise principally in lending activities that lead to loans to customers. Credit risks are managed and studied by the credit assessment team before loans are disbursed to customers.

The lending activities are guided by the Company's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy, and credit approval processes and procedures implemented to ensure compliance with the NBC's guidelines.

(a) Credit risk management

The Company is exposed to credit risk primarily with respect to loans and balances with banks. Such risks are monitored on a revolving basis and subject to annual 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. Loans are also provided to those borrowers that are deemed profitable.

The Board of Directors approves accounts opening with banks that are financially sound.

(b) Risk limit control and mitigation policies

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

(c) Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-02-186 dated 13 September 2002 on loan classification and provisioning. The NBC requires microfinance institutions to classify their loan portfolio into four classes and ensure that the minimum mandatory level of specific provision is made depending on the classification concerned and regardless of the assets (except for cash) pledged as collateral.

In addition to the specific provisions above, an additional general provision is made at the rate of 1% (2015: 1%) of outstanding standard loans as at 31 December 2016 which is based on the Company's experience and industry prospects.

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

25 FINANCIAL RISK MANAGEMENT (continued)

25.1 Credit risk (continued)

(d) Maximum exposure to credit risk before collateral held or other credit enhancements

Management believes that the Company's maximum exposure to credit risk is limited to the carrying amount of the followings less provisions for bad and doubtful loans.

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
<i>Credit exposure relating to on-balance sheet assets:</i>				
Deposits with banks	1,580,967	6,382,364	2,242,786	9,083,283
Loans to customers - net	11,115,868	44,874,759	9,220,281	37,342,138
Other assets	373,426	1,507,521	337,843	1,368,264
	<u>13,070,261</u>	<u>52,764,644</u>	<u>11,800,910</u>	<u>47,793,685</u>

The above table represents a worst case scenario of credit risk exposure to the Company at 31 December 2016 and 31 December 2015, without taking account of any collateral held or other credit enhancement attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts.

As shown above, 85% of total maximum exposure is derived from loans to customers (2015: 78%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Company resulting from its loans to customers on the following basis:

- 98% of the loans to customers are considered to be neither past due nor impaired (2015: 98%); and
- The Company has introduced a strict selection and collection process for granting loans to customers.

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

25. FINANCIAL RISK MANAGEMENT (continued)

25.1 Credit risk (continued)

(e) Loans to customers

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Loans to customers neither past due nor impaired (i)	11,031,687	44,534,920	9,195,136	37,240,301
Loans to customers past due but not impaired (ii)	54,515	220,077	67,028	271,463
Loans to customers individually impaired (iii)	216,019	872,069	126,850	513,743
Gross amount	<u>11,302,221</u>	<u>45,627,066</u>	<u>9,389,014</u>	<u>38,025,507</u>
Less:				
Specific provision for loan loss (iv)	(75,444)	(304,567)	(76,007)	(307,828)
General provision for loan loss	<u>(110,909)</u>	<u>(447,740)</u>	<u>(92,726)</u>	<u>(375,541)</u>
Net loans to customers	<u>11,115,868</u>	<u>44,874,759</u>	<u>9,220,281</u>	<u>37,342,138</u>

For the purpose of loan provisioning, expected recovery from collaterals (except cash) is not taken into consideration. This is in accordance with the NBC's requirement. The total provision for loan losses is US\$186,353 which represents provision as required by Prakas B7-02-186 dated 13 September 2002 and 1% general provision for mandatory outstanding balance of standard loans.

It is not practical to obtain fair value of collateral due to costs of obtaining such information outweigh the potential benefits. The Company's policy is to fund up to 50% of the collateral value.

(i) Loans to customers neither past due nor impaired

Loans to customers not past due are not considered impaired, unless other information is available to indicate the contrary.

(ii) Loans to customers past due but not impaired

Loans to customers less than 30 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount loans to customers that were past due but not impaired were as follows:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Past due less than 30 days	<u>54,515</u>	<u>220,077</u>	<u>67,028</u>	<u>271,463</u>

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

25. FINANCIAL RISK MANAGEMENT (continued)

25.1 Credit risk (continued)

(e) Loans to customers (continued)

(iii) Loans to customers individually impaired

The classification and provisioning for bad and doubtful debts, loans to customers of 30 days or more past due are considered impaired and the minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

Gross amount of loans to customers individually impaired were as follows:

	31 December 2016		31 December 2015	
	US\$	Riel '000	US\$	Riel '000
Past due 30-59 days	38,295	154,597	22,096	89,489
Past due 60-89 days	23,579	95,188	4,967	20,116
Past due 90 days and more	154,145	622,284	99,787	404,138
	<u>216,019</u>	<u>872,069</u>	<u>126,850</u>	<u>513,743</u>

(iv) Specific provision for loan loss

Specific provision is provided in accordance with its accounting policies and the NBC's requirements. Loan ageing analysis is the basis for the loan provisioning. For the purpose of loan provisioning, the expected recovery from collateral (except cash) is not taken into consideration in accordance with the NBC's requirements.

(v) Loans to customers renegotiated

Restructuring activities include extended payment arrangements, modification and deferral of payments. Following restructuring, the loan is still kept in its current classification unless there is strong evidence of improvement in the customer's financial condition.

There were no renegotiated loans to customers at 31 December 2016 (2015: nil).

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

25. FINANCIAL RISK MANAGEMENT (continued)

25.1 Credit risk (continued)

(f) Repossessed collateral

The Company did not obtain any assets by taking possession of collateral held as security during the year ended 31 December 2016 (2015: nil).

(g) Concentration of financial assets with credit risk exposure

(i) Geographical sector

All loans provided and all other assets are located in Cambodia only.

(ii) Industry sector

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorised by the industry sectors of the counterparties.

	Agriculture US\$	Services US\$	Financial institutions US\$	Other categories US\$	Total US\$	Total Riel '000
As at 31 December 2016						
Deposits with banks	-	-	1,580,967	-	1,580,967	6,382,364
Loans to customers	10,568,107	408,795	-	138,966	11,115,868	44,874,759
Other assets	366,010	4,646	-	2,770	373,426	1,507,521
	<u>10,934,117</u>	<u>413,441</u>	<u>1,580,967</u>	<u>141,736</u>	<u>13,070,261</u>	<u>52,764,644</u>
As at 31 December 2015						
Deposits with banks	-	-	2,242,786	-	2,242,786	9,083,283
Loans to customers	8,661,485	385,556	-	173,240	9,220,281	37,342,138
Other assets	326,670	5,356	-	5,817	337,843	1,368,264
	<u>8,987,440</u>	<u>390,912</u>	<u>2,242,786</u>	<u>179,772</u>	<u>11,800,910</u>	<u>47,793,685</u>

25.2 Market risk

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

The Company does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hedge its risk exposure.

INTEAN POALROATH RONGROEURNG LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****25. FINANCIAL RISK MANAGEMENT** (continued)**25.2 Market risk** (continued)

(i) Foreign exchange risk

The Company operates in Cambodia and transacts in US\$, Khmer Riel, and Thai Baht and is exposed to currency risks, primarily with respect to Khmer Riel and Thai Baht.

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

Management monitors its foreign exchange risk against functional currency. However, the Company does not hedge its foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities by using forward contracts as they considered that the foreign exchange risk was not significant.

The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2016 and 31 December 2015. Included in the table are the Company's financial instruments at carrying amount by currency in US\$ equivalent.

No sensitivity analysis is presented for foreign currency Riel and Baht as the impact is insignificant.

	(US\$ equivalent)			Total
	US\$	THB	KHR	US\$
31 December 2016				
Financial assets				
Cash on hand	55,350	5,186	25,836	86,372
Balances with the NBC	155,688	-	-	155,688
Deposits with banks	1,153,308	50,317	377,342	1,580,967
Loans to customers	9,184,801	1,351,757	579,310	11,115,868
Other assets	262,935	91,467	19,024	373,426
Total financial assets	<u>10,812,082</u>	<u>1,498,727</u>	<u>1,001,512</u>	<u>13,312,321</u>
Financial liabilities				
Borrowings	5,477,517	819,633	-	6,297,150
Accruals and other liabilities	105,336	34,711	652	140,699
Total financial liabilities	<u>5,582,853</u>	<u>854,344</u>	<u>652</u>	<u>6,437,849</u>
Net financial asset position	<u>5,229,229</u>	<u>644,383</u>	<u>1,000,860</u>	<u>6,874,472</u>
KHR'000 equivalent	<u>21,110,397</u>	<u>2,601,374</u>	<u>4,040,472</u>	<u>27,752,243</u>

INTEAN POALROATH RONGROEURNG LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****25. FINANCIAL RISK MANAGEMENT** (continued)**25.2 Market risk** (continued)

(i) Foreign exchange risk (continued)

	(US\$ equivalent)			Total
	US\$	THB	KHR	US\$
31 December 2015				
Financial assets				
Cash on hand	54,223	6,775	33,854	94,852
Balances with the NBC	155,383	-	-	155,383
Deposits with banks	2,164,907	47,705	30,174	2,242,786
Loans to customers	6,718,073	1,562,253	939,955	9,220,281
Other assets	198,380	113,804	25,659	337,843
Total financial assets	<u>9,290,966</u>	<u>1,730,537</u>	<u>1,029,642</u>	<u>12,051,145</u>
Financial liabilities				
Borrowings	4,167,517	444,444	-	4,611,961
Accruals and other liabilities	91,217	17,321	429	108,967
Total financial liabilities	<u>4,258,734</u>	<u>461,765</u>	<u>429</u>	<u>4,720,928</u>
Net financial asset position	<u>5,032,232</u>	<u>1,268,772</u>	<u>1,029,213</u>	<u>7,330,217</u>
KHR'000 equivalent	<u>20,380,538</u>	<u>5,138,527</u>	<u>4,168,314</u>	<u>29,687,379</u>

(ii) Price risk

The Company is not exposed to securities price risk because it does not hold any investments classified on the balance sheet either as available for sale or at fair value through profit or loss. The Company currently does not have a policy to manage its price risk.

(iii) Interest rate risk

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

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

No sensitivity analysis is presented for interest rate risk as the fluctuation of interest rates of loan to customers and borrowings are fixed as agreed in contracts.

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

25. FINANCIAL RISK MANAGEMENT (continued)

25.2 Market risk (continued)

(iii) Interest rate risk (continued)

The interest rate risk exposure of financial assets and financial liabilities are as follows:

	Less than 1 month US\$	From 1 month to 3 months US\$	From 3 months to 1 year US\$	From 1 year to 5 years US\$	Over 5 years US\$	Non Interest Bearing US\$	Total US\$
As at 31 December 2016							
Assets							
Cash on hand	-	-	-	-	-	86,372	86,372
Balances with the NBC	-	-	-	-	154,432	1,256	155,688
Deposits with banks	1,069,234	-	12,500	-	-	499,233	1,580,967
Loans to customers	484,629	2,336,584	1,586,151	6,708,504	-	-	11,115,868
Other assets	-	-	-	-	-	373,426	373,426
Total financial assets	1,553,863	2,336,584	1,598,651	6,708,504	154,432	960,287	13,312,321
Liabilities							
Borrowings	-	-	1,500,850	4,796,300	-	-	6,297,150
Other liabilities	-	-	-	-	-	140,699	140,699
Total financial liabilities	-	-	1,500,850	4,796,300	-	140,699	6,437,849
Total interest re-pricing gap	1,553,863	2,336,584	97,801	1,912,204	154,432	819,588	6,874,472
KHR'000 equivalent	6,293,145	9,463,165	396,094	7,744,426	625,450	3,319,331	27,216,161

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

25. FINANCIAL RISK MANAGEMENT (continued)

25.2 Market risk (continued)

(iii) Interest rate risk (continued)

	Less than 1 month US\$	From 1 month to 3 months US\$	From 3 months to 1 year US\$	From 1 year to 5 years US\$	Over 5 years US\$	Non Interest Bearing US\$	Total US\$
As at 31 December 2015							
Assets							
Cash on hand	-	-	-	-	-	94,852	94,852
Balances with the NBC	-	-	-	-	154,432	951	155,383
Deposits with banks	586,275	600,000	12,500	-	-	1,044,011	2,242,786
Loans to customers	11,689	1,882,660	3,197,920	4,128,012	-	-	9,220,281
Other assets	-	-	-	-	-	337,843	337,843
Total financial assets	597,964	2,482,660	3,210,420	4,128,012	154,432	1,477,657	12,051,145
Liabilities							
Borrowings	-	-	666,667	3,945,294	-	-	4,611,961
Other liabilities	-	-	-	-	-	108,967	108,967
Total financial liabilities	-	-	666,667	3,945,294	-	108,967	4,720,928
Total interest re-pricing gap	597,964	2,482,660	2,543,753	182,718	154,432	1,368,690	7,330,217
KHR'000 equivalent	2,421,754	10,054,773	10,302,200	740,008	625,450	5,543,195	29,687,379

INTEAN POALROATH RONGROEURNG LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

25. FINANCIAL RISK MANAGEMENT (continued)

25.3 Liquidity risk

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

(a) Liquidity risk management process

The management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting takes the form of the reviewing of the daily cash position and projections for the next week and month, as these are key periods for liquidity management. The management monitors the amount of cash collected and the projection of its disbursement.

(b) Funding approach

The Company's main sources of liquidity arise from the shareholder's paid-up capital and borrowings. The sources of liquidity are reviewed regularly through management's review of the maturity of borrowings.

(c) Non-derivative cash flows

The table on the following page presents the cash flows payable of the Company under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash flows.

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**NOTES TO THE FINANCIAL STATEMENTS
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25. FINANCIAL RISK MANAGEMENT (continued)

25.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

	Less than 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Total US\$
As at 31 December 2016						
Financial liabilities						
Borrowings	25,165	237,381	514,882	7,318,704	-	8,096,132
Other liabilities	23,881	-	-	-	-	23,881
Total financial liabilities by remaining contractual maturities	<u>49,046</u>	<u>237,381</u>	<u>514,882</u>	<u>7,318,704</u>	<u>-</u>	<u>8,120,013</u>
KHR'000 equivalent	<u>197,999</u>	<u>958,307</u>	<u>2,078,579</u>	<u>29,545,608</u>	<u>-</u>	<u>32,780,493</u>
As at 31 December 2015						
Financial liabilities						
Borrowings	24,801	239,925	1,453,789	3,682,278	-	5,400,793
Other liabilities	30,328	-	-	-	-	30,328
Total financial liabilities by remaining contractual maturities	<u>55,129</u>	<u>239,925</u>	<u>1,453,789</u>	<u>3,682,278</u>	<u>-</u>	<u>5,431,121</u>
KHR'000 equivalent	<u>223,271</u>	<u>971,695</u>	<u>5,887,845</u>	<u>14,913,227</u>	<u>-</u>	<u>21,996,038</u>

The Company performs maturity analysis for financial liabilities that shows the remaining contractual maturities. However, the Company monitors the assets held to manage liquidity risk by performing weekly cash flows projection at all branches and monthly cash flows projection at head office. Where there is an anticipated shortage of cash flow, the management will consider below actions:

- Negotiate with lenders to renew the borrowing;
- Delay disbursing loans to customers temporarily;
- Seek for new borrowing; and/or
- Inject more capital from shareholder.

INTEAN POALROATH RONGROEURNG LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

25. FINANCIAL RISK MANAGEMENT (continued)

25.4 Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value

The Company did not have financial instruments measured at fair value.

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Company's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values.

(b) Financial instruments not measured at fair value

As at the balance sheet date, the fair values of financial instruments of the Company approximate their carrying amounts.

The estimated fair values are based on the following methodologies and assumptions.

i. Balances with the National Bank of Cambodia

Balances with the NBC include non-interest bearing current accounts and term deposits. The fair value of balances with NBC approximates the carrying amount.

ii. Deposits with banks

Deposits with banks include non-interest bearing current accounts, savings deposits and short-term deposits. The fair value of balances with banks approximates the carrying amount.

iii. Loans to customers

Loans to customers are net of provision for doubtful and bad loans and their carrying value approximates fair value. The provision for doubtful and bad loans is made under the requirements of the NBC's Prakas and the Company's loan provisioning policy.

iv. Borrowings

The fair value of fixed interest-bearing borrowings is not quoted in an active market. Their value approximates the carrying amount.

v. Other assets and liabilities

The carrying amounts of other assets and liabilities are assumed to approximate their fair values as these are not materially sensitive to the shift in market interest.

INTEAN POALROATH RONGROEURNG LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

25. FINANCIAL RISK MANAGEMENT (continued)

25.5 Capital risk management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirement set by the NBC
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide a return for shareholder and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

On 22 March 2016, the NBC issued a new Prakas No. B7-16-117, requiring microfinance institutions to have a minimum registered capital of at least Riel 6 billion (approximately US\$1.5 million). The microfinance institutions are required to fulfil this requirement within two years from the date of this Prakas.

The NBC requires all commercial banks and financial institutions to: i) adhere to the minimum capital requirement; ii) maintain net worth at least equal to the minimum capital amount; and iii) comply with solvency and liquidity ratios.

26 CURRENT AND NON-CURRENT

Management presents the financial statements based on liquidity. Information about short-term and long-term of assets and liabilities are disclosed in the financial risk management section. Property and equipment, intangible assets and deferred tax assets are non-current assets. Provision for income tax is current liability.

27 COMPARATIVE INFORMATION

Certain corresponding figures have been reclassified to conform to current year presentation of the financial statements.

28. EVENTS AFTER REPORTING DATE

On 13 March 2017, the National Bank of Cambodia issued a Prakas No. B7-017-109 on "Interest rate ceiling for all microfinance institutions (MFIs)". It requires that MFIs must set interest rate no higher than 18% per annum for new loans, restructured loans and refinancing loans signed from 01 April 2017 thereon.