

**INTEAN POALROATH RONGROEURNG LTD.**  
(Registration No.00017643)

**REPORT OF THE BOARD OF DIRECTORS AND  
AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**INTEAN POALROATH RONGROEURNG LTD.**

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FOR THE YEAR ENDED 31 DECEMBER 2017**

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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 2017.

### **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 2017 was set out in the income statement on page 9 of the financial statements.

No dividend was declared or paid during the year (2016: US\$1,300,000).

### **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 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 2017 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 2017		31 December 2016	
	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 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 2017, 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 confirms 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 2017, 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: 27 April 2018

## 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 2017, 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 2017, 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 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.
- 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: 27 April 2018

**INTEAN POALROATH RONGROEURNG LTD.**

**BALANCE SHEET  
AS AT 31 DECEMBER 2017**

	Note	31 December 2017		31 December 2016	
		US\$	Riel'000	US\$	Riel'000
<b>ASSETS</b>					
Cash on hand	4	106,956	431,781	86,372	348,684
Balances with the NBC	5	156,193	630,551	155,688	628,512
Balances with other banks	6	1,064,544	4,297,564	1,580,967	6,382,364
Loans to customers	7	8,774,571	35,422,943	11,115,868	44,874,759
Other assets	8	253,569	1,023,658	408,142	1,647,669
Property and equipment	9	72,987	294,649	67,058	270,713
Intangible assets	10	2,091	8,441	16,564	66,869
Profit tax credit	20(a)	22,227	89,730	22,227	89,730
Deferred tax assets	20(b)	53,171	214,651	72,960	294,540
<b>Total assets</b>		<b>10,506,309</b>	<b>42,413,968</b>	<b>13,525,846</b>	<b>54,603,840</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>					
<b>LIABILITIES</b>					
Borrowings	11	3,188,755	12,873,004	6,297,150	25,421,595
Other liabilities	12	126,022	508,749	261,998	1,057,686
Provision for severance pay	13	150,363	607,015	140,708	568,038
Current income tax liabilities	20(c)	46,668	188,399	165,263	667,167
<b>Total liabilities</b>		<b>3,511,808</b>	<b>14,177,167</b>	<b>6,865,119</b>	<b>27,714,486</b>
<b>SHAREHOLDER'S EQUITY</b>					
Share capital	14	3,088,645	12,468,860	3,088,645	12,468,860
Retained earnings		3,905,856	15,767,941	3,572,082	14,420,494
<b>Total shareholder's equity</b>		<b>6,994,501</b>	<b>28,236,801</b>	<b>6,660,727</b>	<b>26,889,354</b>
<b>Total liabilities and shareholder's equity</b>		<b>10,506,309</b>	<b>42,413,968</b>	<b>13,525,846</b>	<b>54,603,840</b>

The accompanying notes on pages 12 to 49 form an integral part of these financial statements.

**INTEAN POALROATH RONGROEURNG LTD.****INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	Year ended 31 December 2017		Year ended 31 December 2016	
		US\$	Riel'000	US\$	Riel'000
Interest income	15	2,267,048	9,152,073	2,861,928	11,553,603
Interest expense	16	(564,748)	(2,279,888)	(615,897)	(2,486,376)
<b>Net interest income</b>		1,702,300	6,872,185	2,246,031	9,067,227
Other operating income	17	330,071	1,332,497	61,029	246,374
<b>Operating income</b>		2,032,371	8,204,682	2,307,060	9,313,601
Personnel expenses	18	(674,684)	(2,723,699)	(672,743)	(2,715,863)
Depreciation and amortisation		(52,116)	(210,392)	(56,228)	(226,992)
Other operating expenses	19	(560,143)	(2,261,297)	(543,186)	(2,192,843)
Allowance for bad and doubtful loans	7	(322,139)	(1,300,475)	(108,088)	(436,351)
<b>Profit before income tax</b>		423,289	1,708,819	926,815	3,741,552
Income tax expense	20(d)	(89,515)	(361,372)	(255,072)	(1,029,726)
<b>Profit for the year</b>		<u>333,774</u>	<u>1,347,447</u>	<u>671,743</u>	<u>2,711,826</u>

The accompanying notes on pages 12 to 49 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 2017**

	<b>Share capital US\$</b>	<b>Retained earnings US\$</b>	<b>Total US\$</b>
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)
<b>Balance as at 31 December 2016</b>	<u>3,088,645</u>	<u>3,572,082</u>	<u>6,660,727</u>
<i>In Riel'000 equivalent</i>	<u>12,468,860</u>	<u>14,420,494</u>	<u>26,889,354</u>
Balance as at 1 January 2017	3,088,645	3,572,082	6,660,727
Profit for the year	-	333,774	333,774
<b>Balance as at 31 December 2017</b>	<u>3,088,645</u>	<u>3,905,856</u>	<u>6,994,501</u>
<i>In Riel'000 equivalent</i>	<u>12,468,860</u>	<u>15,767,941</u>	<u>28,236,801</u>

The accompanying notes on pages 12 to 49 form an integral part of these financial statements.

**INTEAN POALROATH RONGROEURNG LTD.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	Year ended 31 December 2017		Year ended 31 December 2016	
		US\$	Riel'000	US\$	Riel'000
<b>Cash flows from operating activities</b>					
Profit before income tax		423,289	1,708,819	926,815	3,741,552
<i>Adjustments for:</i>					
Interest income		(2,267,048)	(9,152,073)	(2,861,928)	(11,553,603)
Interest expense		564,748	2,279,888	615,897	2,486,376
Depreciation and amortisation		52,116	210,392	56,228	226,992
Loss on assets written off		545	2,200	8,636	34,864
Exchange difference on borrowings		71,624	289,144	3,413	13,778
Allowance for bad and doubtful loans	7	322,139	1,300,475	108,088	436,351
Provision for severance pay	13	30,666	123,799	35,482	143,241
<i>Changes in working capital</i>					
Loans to customers		2,019,158	8,151,341	(2,003,675)	(8,088,836)
Other assets		(28,585)	(115,398)	140,712	568,054
Other liabilities		(73,715)	(297,587)	(67,470)	(272,376)
		<u>1,114,937</u>	<u>4,501,000</u>	<u>(3,037,802)</u>	<u>(12,263,607)</u>
Interest received		2,450,206	9,891,482	2,826,352	11,409,983
Interest paid		(627,009)	(2,531,235)	(577,718)	(2,332,248)
Income tax paid	20	(188,321)	(760,252)	(200,472)	(809,305)
Severance paid	13	(21,011)	(84,822)	(32,301)	(130,399)
Net cash generated from/(used in) operating activities		<u>2,728,802</u>	<u>11,016,173</u>	<u>(1,021,941)</u>	<u>(4,125,576)</u>
<b>Cash flows from investing activities</b>					
Purchases of property and equipment	9	<u>(44,117)</u>	<u>(178,100)</u>	<u>(29,829)</u>	<u>(120,420)</u>
Net cash used in investing activities		<u>(44,117)</u>	<u>(178,100)</u>	<u>(29,829)</u>	<u>(120,420)</u>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		-	-	2,081,061	8,401,243
Repayments of borrowings		(3,180,019)	(12,837,737)	(399,285)	(1,611,914)
Dividend paid		-	-	(1,300,000)	(5,248,100)
Net cash (used in)/generated from financing activities		<u>(3,180,019)</u>	<u>(12,837,737)</u>	<u>381,776</u>	<u>1,541,229</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(495,334)</u>	<u>(1,999,664)</u>	<u>(669,994)</u>	<u>(2,704,767)</u>
Cash and cash equivalents at beginning of the year		1,656,095	6,685,656	2,326,089	9,420,660
Currency translation differences		-	-	-	(30,237)
<b>Cash and cash equivalents at end of the year</b>	21	<u><u>1,160,761</u></u>	<u><u>4,685,992</u></u>	<u><u>1,656,095</u></u>	<u><u>6,685,656</u></u>

The accompanying notes on pages 12 to 49 form an integral part of these financial statements.

## **INTEAN POALROATH RONGROEURNG LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **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 "NBC") 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 authorised for issue by the Board of Directors on 27 April 2018.

#### **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 years 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 CAS and relevant accounting regulations and guidelines issued by the NBC 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 2017**

## **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 2017**

#### **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 (2016: US\$ 1 to Riel 4,037) 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 allowance for bad and doubtful loans.

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

##### **2.7 Allowance for bad and doubtful loans**

The adequacy of the allowance 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 2017

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 2.7 Allowance for bad and doubtful loans (continued)

<b>Classification</b>	<b>Number of days past due</b>	<b>Specific allowance</b>
<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% (2016: 1%) of outstanding standard loans as at 31 December 2017 which is based on the Company's experience and industry prospects. Management believes that this more reasonably reflects the allowance 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.

During the year, the NBC issued a new Prakas No. B7-017-344, dated on 1 December 2017, on Credit Risk Grading and Impairment Provisioning, which requires banks and financial institutions to provide impairment provisioning for short-term and long-term facilities based on new number of days past due. On 16 February 2018, the NBC issued a Circulation No. B7-018-001, allowing banks and financial institutions to continue to implement the old Prakas No. B7-02-186 on assets classification and provisioning for the financial year 2017 if they are not ready to implement the new Prakas. As at 31 December 2017, the Company continued to implement the old Prakas on assets classification and provisioning.

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.

## **INTEAN POALROATH RONGROEURNG LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **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.

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:

	<b>Years</b>
Buildings	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.

## **INTEAN POALROATH RONGROEURNG LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **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.

### **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.

## **INTEAN POALROATH RONGROEURNG LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **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.

##### **2.16 Other operating income**

Loan processing fee income is recognised as other income when the loan is disbursed to customers. The loan processing fee income is calculated using the principal and fee rate.

##### **2.17 Leases**

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.

##### **2.18 Rounding of amounts**

Amounts in the financial statements have been rounded off to the nearest dollar and thousand Khmer Riel ("Riel'000") for US\$ and Riel amounts, respectively.

**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) Allowance 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% (2016: 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 potential 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.

**(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.

**INTEAN POALROATH RONGROEURNG LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017****4. CASH ON HAND**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel '000</b>	<b>US\$</b>	<b>Riel '000</b>
Head office (Phnom Penh)	29,908	120,739	11,064	44,665
Provincial branches				
Takeo	7,620	30,762	20,004	80,756
Pursat	12,369	49,934	17,580	70,970
Phnom Proek	10,642	42,962	11,422	46,111
Battambang	37,707	152,223	16,976	68,532
Banteay Meanchey	8,710	35,161	9,326	37,650
	<u>106,956</u>	<u>431,781</u>	<u>86,372</u>	<u>348,684</u>

**5. BALANCES WITH THE NBC**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Current account	1,761	7,109	1,256	5,070
Statutory capital deposit*	<u>154,432</u>	<u>623,442</u>	<u>154,432</u>	<u>623,442</u>
	<u>156,193</u>	<u>630,551</u>	<u>155,688</u>	<u>628,512</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 (2016: 0.20% to 0.22%). The interest payment is settled semi-annually.

**INTEAN POALROATH RONGROEURNG LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**6. BALANCES WITH OTHER BANKS**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel '000</b>	<b>US\$</b>	<b>Riel '000</b>
<i>Local banks:</i>				
Current accounts	1,052,044	4,247,102	499,233	2,015,404
Savings accounts	-	-	1,069,234	4,316,497
Term deposits	12,500	50,462	12,500	50,463
	<u>1,064,544</u>	<u>4,297,564</u>	<u>1,580,967</u>	<u>6,382,364</u>

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

	<b>31 December 2017</b>	<b>31 December 2016</b>
Current accounts	0% - 0.50%	0%
Savings accounts	0% - 0.25%	0.15% - 0.25%
Term deposits	2.50%	3.25%

**7. LOANS TO CUSTOMERS**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel '000</b>	<b>US\$</b>	<b>Riel '000</b>
Individual loans	<u>9,042,029</u>	<u>36,502,671</u>	<u>11,302,221</u>	<u>45,627,066</u>
Allowance for bad and doubtful loans				
Specific	(181,495)	(732,695)	(75,444)	(304,567)
General	(85,963)	(347,033)	(110,909)	(447,740)
	<u>(267,458)</u>	<u>(1,079,728)</u>	<u>(186,353)</u>	<u>(752,307)</u>
	<u>8,774,571</u>	<u>35,422,943</u>	<u>11,115,868</u>	<u>44,874,759</u>

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

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel '000</b>	<b>US\$</b>	<b>Riel '000</b>
At the beginning of year	186,353	752,307	168,733	683,369
Allowance during the year	322,139	1,300,475	108,088	436,351
Written off during the year	(239,963)	(968,731)	(90,884)	(366,899)
Exchange difference	(1,071)	(4,323)	416	(514)
At the end of year	<u>267,458</u>	<u>1,079,728</u>	<u>186,353</u>	<u>752,307</u>

**INTEAN POALROATH RONGROEURNG LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Loans to customers are analysed as follows:

**(a) By maturity:**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
No later than 1 month	165,882	669,666	525,052	2,119,635
Later than 1 month and no later than 3 months	94,907	383,140	2,364,546	9,545,672
Later than 3 months and no later than 12 months	1,530,767	6,179,706	1,614,064	6,515,976
Later than 12 months	7,250,473	29,270,159	6,798,559	27,445,783
	<u>9,042,029</u>	<u>36,502,671</u>	<u>11,302,221</u>	<u>45,627,066</u>

**(b) By currency:**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
US Dollars	7,291,199	29,434,570	9,333,187	37,678,076
Thai Baht	1,076,315	4,345,084	1,366,101	5,514,950
Khmer Riel	674,515	2,723,017	602,933	2,434,040
	<u>9,042,029</u>	<u>36,502,671</u>	<u>11,302,221</u>	<u>45,627,066</u>

On 1 December 2016, the NBC issued a Prakas No. B7-016-334 on Provision of Credit in National Currency of Banking and Financial Institutions, required all institutions to have loans in national currency (Riel) at least 10% of the total loan portfolio. The Company is required to fully implement this requirement by 31 December 2019.

**(c) By economic sector:**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Agriculture	6,669,854	26,926,201	10,744,912	43,377,210
Service	210,270	848,860	416,320	1,680,684
Others	2,161,905	8,727,610	140,989	569,172
	<u>9,042,029</u>	<u>36,502,671</u>	<u>11,302,221</u>	<u>45,627,066</u>

**(d) By residents:**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel '000</b>	<b>US\$</b>	<b>Riel '000</b>
Residents	<u>9,042,029</u>	<u>36,502,671</u>	<u>11,302,221</u>	<u>45,627,066</u>

**INTEAN POALROATH RONGROEURNG LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**(e) By relationship:**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel '000</b>	<b>US\$</b>	<b>Riel '000</b>
External customers	8,980,511	36,254,323	11,222,008	45,303,246
Related parties	10,094	40,749	-	-
Staff loans	51,424	207,599	80,213	323,820
	<u>9,042,029</u>	<u>36,502,671</u>	<u>11,302,221</u>	<u>45,627,066</u>

**(f) By performance:**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
<i>Unsecured loans*</i>				
Standard loans	8,599,620	34,716,665	11,090,908	44,773,996
Sub-standard loans	128,582	519,086	113,122	456,674
Doubtful loans	200,940	811,195	48,656	196,424
Loss loans	112,887	455,725	49,535	199,972
	<u>9,042,029</u>	<u>36,502,671</u>	<u>11,302,221</u>	<u>45,627,066</u>

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

**(g) By location:**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Phnom Penh	61,518	248,348	80,213	323,820
Phnom Proek	1,747,902	7,056,280	1,548,714	6,252,158
Pursat	1,496,283	6,040,494	2,059,671	8,314,892
Takeo	1,212,028	4,892,957	1,465,467	5,916,090
Battambang	3,739,564	15,096,620	5,378,327	21,712,306
Banteay Meanchey	784,734	3,167,972	769,829	3,107,800
	<u>9,042,029</u>	<u>36,502,671</u>	<u>11,302,221</u>	<u>45,627,066</u>

**INTEAN POALROATH RONGROEURNG LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017****7. LOANS TO CUSTOMERS (continued)****(h) By interest rate (per annum)****(i) By relationship**

	<u>31 December 2017</u>	<u>31 December 2016</u>
External customers	17.40% - 36.00%	20.4% - 36.0%
Related parties	12.00%	-
Staff loans	12.00%	15.6%

**(ii) By currencies**

	<u>31 December 2017</u>	<u>31 December 2016</u>
US Dollars	12.00% - 33.60%	15.60% - 36.00%
Thai Baht	17.40% - 33.60%	25.00% - 34.80%
Khmer Riel	17.40% - 36.00%	25.20% - 36.00%

The higher than statutory interest rate ceiling limits as of 31 December 2017 represent interest rates on loans disbursed prior to the effective date of the new regulation on 1 April 2017.

**8. OTHER ASSETS**

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	<u>US\$</u>	<u>Riel'000</u>	<u>US\$</u>	<u>Riel'000</u>
Accrued interest receivable	190,268	768,112	373,426	1,507,521
Prepayments	30,474	123,024	31,903	128,792
Staff advances	30,100	121,514	-	-
Other receivables	2,727	11,008	2,813	11,356
	<u>253,569</u>	<u>1,023,658</u>	<u>408,142</u>	<u>1,647,669</u>

**INTEAN POALROATH RONGROEURNG LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**9. PROPERTY AND EQUIPMENT**

	<b>Leasehold improvements US\$</b>	<b>Computers and office equipment US\$</b>	<b>Furniture and fixtures US\$</b>	<b>Motor vehicles US\$</b>	<b>Total US\$</b>
<b>Cost</b>					
At 1 January 2017	9,093	89,988	62,780	9,125	170,986
Additions	-	23,558	6,436	14,123	44,117
Write-off	-	(12,663)	(5,169)	-	(17,832)
At 31 December 2017	<u>9,093</u>	<u>100,883</u>	<u>64,047</u>	<u>23,248</u>	<u>197,271</u>
<b>Accumulated depreciation</b>					
At 1 January 2017	(3,400)	(58,419)	(35,569)	(6,540)	(103,928)
Depreciation charge	(2,136)	(18,575)	(12,518)	(4,414)	(37,643)
Written-off	-	12,796	4,491	-	17,287
At 31 December 2017	<u>(5,536)</u>	<u>(64,198)</u>	<u>(43,596)</u>	<u>(10,954)</u>	<u>(124,284)</u>
<b>Net book value</b>	<u>3,557</u>	<u>36,685</u>	<u>20,451</u>	<u>12,294</u>	<u>72,987</u>
<i>In Riel'000 equivalent</i>	<u>14,360</u>	<u>148,097</u>	<u>82,561</u>	<u>49,631</u>	<u>294,649</u>

**INTEAN POALROATH RONGROEURNG LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**9. PROPERTY AND EQUIPMENT** (continued)

	<b>Buildings US\$</b>	<b>Leasehold improvements US\$</b>	<b>Computers and office equipment US\$</b>	<b>Furniture and fixtures US\$</b>	<b>Motor vehicles US\$</b>	<b>Total US\$</b>
<b>Cost</b>						
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
Written-off	(22,485)	-	-	(783)	-	(23,268)
At 31 December 2016	-	9,093	89,988	62,780	9,125	170,986
<b>Accumulated depreciation</b>						
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)
<b>Net book value</b>	-	5,693	31,569	27,211	2,585	67,058
<i>In Riel'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 2017**

**10. INTANGIBLE ASSETS**

	<b>Computer software US\$</b>	<b>Total US\$</b>
<b>Cost</b>		
At 1 January 2017	94,422	94,422
Written-off	<u>(87,672)</u>	<u>(87,672)</u>
At 31 December 2017	<u>6,750</u>	<u>6,750</u>
<b>Accumulated amortisation</b>		
At 1 January 2017	(77,858)	(77,858)
Amortisation charge	(14,473)	(14,473)
Written-off	<u>87,672</u>	<u>87,672</u>
At 31 December 2017	<u>(4,659)</u>	<u>(4,659)</u>
<b>Net book value</b>	<u>2,091</u>	<u>2,091</u>
<i>In Riel'000 equivalent</i>	<u>8,441</u>	<u>8,441</u>
<b>Cost</b>		
At 1 January 2016	94,422	94,422
Additions	<u>-</u>	<u>-</u>
At 31 December 2016	<u>94,422</u>	<u>94,422</u>
<b>Accumulated depreciation</b>		
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>
<b>Net book value</b>	<u>16,564</u>	<u>16,564</u>
<i>In Riel'000 equivalent</i>	<u>66,869</u>	<u>66,869</u>

**INTEAN POALROATH RONGROEURNG LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**11. BORROWINGS**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Hivos-Triodos Fonds	850,000	3,431,450	2,000,000	8,074,000
Triple Jump	-	-	1,500,850	6,058,932
Luxembourg Microfinance Development Fund	664,479	2,682,502	798,572	3,223,835
Triple Jump B.V	524,275	2,116,498	521,061	2,103,523
Mr. Hsu Ming-Yee (note 22b)	500,000	2,018,500	500,000	2,018,500
OikoCredit	400,000	1,614,800	500,000	2,018,500
Phillip Bank	250,001	1,009,254	416,667	1,682,085
Mr. Mak Sarun (note 22b)	-	-	60,000	242,220
	<u>3,188,755</u>	<u>12,873,004</u>	<u>6,297,150</u>	<u>25,421,595</u>

The above borrowings are analysed as follows:

**(a) By maturity:**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
No later than 1 year	2,014,479	8,132,452	1,500,850	6,058,931
Later than 1 year and no later than 5 years	1,174,276	4,740,552	4,796,300	19,362,664
	<u>3,188,755</u>	<u>12,873,004</u>	<u>6,297,150</u>	<u>25,421,595</u>

**(b) By currency:**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
US Dollars	2,500,001	10,092,504	5,477,517	22,112,736
Thai Baht	688,754	2,780,500	819,633	3,308,859
	<u>3,188,755</u>	<u>12,873,004</u>	<u>6,297,150</u>	<u>25,421,595</u>

**(c) By interest rate (per annum):**

	<b>31 December 2017</b>	<b>31 December 2016</b>
US Dollars	9.30% - 11.05%	9.30% to 11.05%
Thai Baht	13.37% - 13.95%	13.37% to 13.95%

**INTEAN POALROATH RONGROEURNG LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**12. OTHER LIABILITIES**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel '000</b>	<b>US\$</b>	<b>Riel '000</b>
Deferred interest income	53,218	214,841	105,963	427,773
Accrued interest payable	54,557	220,247	116,818	471,594
Other tax payables	9,139	36,894	15,336	61,911
Other payables	9,108	36,767	23,881	96,408
	<u>126,022</u>	<u>508,749</u>	<u>261,998</u>	<u>1,057,686</u>

**13. PROVISION FOR SEVERANCE PAY**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
At the beginning of year	140,708	568,038	137,527	556,984
Charges during the year	30,666	123,799	35,482	143,241
Payments made during the year	(21,011)	(84,822)	(32,301)	(130,399)
Translation difference	-	-	-	(1,788)
At the end of year	<u>150,363</u>	<u>607,015</u>	<u>140,708</u>	<u>568,038</u>

**14. SHARE CAPITAL**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
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>12,468,860</u>

**15. INTEREST INCOME**

	<b>Year ended 31 December 2017</b>		<b>Year ended 31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Interest income from:				
Loans to customers	2,250,751	9,086,282	2,856,904	11,533,321
Balances with other banks	16,297	65,791	5,024	20,282
	<u>2,267,048</u>	<u>9,152,073</u>	<u>2,861,928</u>	<u>11,553,603</u>

**INTEAN POALROATH RONGROEURNG LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017****16. INTEREST EXPENSE**

	<b>Year ended 31 December 2017</b>		<b>Year ended 31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Interest on borrowings	564,748	2,279,888	615,897	2,486,376

**17. OTHER OPERATING INCOME**

	<b>Year ended 31 December 2017</b>		<b>Year ended 31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Recovery of loans written off	32,250	130,193	8,661	34,964
Other income	240,009	968,916	38,045	153,588
Foreign exchange gains	57,812	233,388	14,323	57,822
	<u>330,071</u>	<u>1,332,497</u>	<u>61,029</u>	<u>246,374</u>

**18. PERSONNEL EXPENSES**

	<b>Year ended 31 December 2017</b>		<b>Year ended 31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Salaries and wages	627,110	2,531,643	610,847	2,465,989
Severance pay	30,666	123,799	35,482	143,241
Training expenses	1,443	5,825	5,928	23,931
Other employee benefits	15,465	62,432	20,486	82,702
	<u>674,684</u>	<u>2,723,699</u>	<u>672,743</u>	<u>2,715,863</u>

**INTEAN POALROATH RONGROEURNG LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**19. OTHER OPERATING EXPENSES**

	<b>Year ended 31 December 2017</b>		<b>Year ended 31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Director fees	150,812	608,828	117,365	473,803
Rental expenses	101,095	408,121	96,208	388,391
Professional fee	66,878	269,986	63,252	255,350
Fuel and vehicle operating expenses	52,376	211,442	51,401	207,506
Travel and transportation expenses	28,273	114,138	25,335	102,277
Printing and stationery expenses	26,001	104,966	26,348	106,367
Communication expenses	21,205	85,605	21,929	88,527
Utility expenses	18,164	73,328	18,604	75,104
Penalties	15,999	64,588	10,364	41,839
Bank charges	10,825	43,701	6,972	28,146
Entertainment expenses	8,875	35,828	5,735	23,152
Low value assets	6,738	27,201	8,122	32,789
Insurance expenses	5,361	21,642	5,467	22,070
Subscription fees	4,000	16,148	5,609	22,644
Marketing and advertisement expenses	2,718	10,973	3,808	15,373
Repairs and maintenance expenses	1,380	5,571	390	1,574
Loss on assets written-off	545	2,200	8,636	34,864
Fees and commission on borrowing	-	-	20,478	82,670
Rebate expenses	-	-	367	1,482
Other expenses	38,898	157,031	46,796	188,915
	<u>560,143</u>	<u>2,261,297</u>	<u>543,186</u>	<u>2,192,843</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:

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Deferred tax assets	61,978	250,205	73,878	298,246
Deferred tax liabilities	(8,807)	(35,554)	(918)	(3,706)
	<u>53,171</u>	<u>214,651</u>	<u>72,960</u>	<u>294,540</u>

**INTEAN POALROATH RONGROEURNG LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017****20. TAXATION** (continued)**(b) Deferred tax assets, net** (continued)

The movement in deferred tax assets was as follow:

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Balance at beginning of year	73,878	298,246	92,438	376,685
Charged to income statement	(11,900)	(48,040)	(18,560)	(74,927)
Translation difference	-	-	-	(3,512)
Balance at end of year	<u>61,978</u>	<u>250,205</u>	<u>73,878</u>	<u>298,246</u>

The movement in deferred tax liabilities was as follow:

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Balance at beginning of year	(918)	(3,706)	(3,423)	(13,863)
(Charged)/credited to income statement	(7,889)	(31,848)	2,505	10,113
Translation difference	-	-	-	44
Balance at end of year	<u>(8,807)</u>	<u>(35,554)</u>	<u>(918)</u>	<u>(3,706)</u>

The movement in net deferred tax assets is as follow:

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Balance at beginning of year	72,960	294,540	89,015	360,511
Charged to income statement	(19,789)	(79,889)	(16,055)	(64,814)
Currency translation differences	-	-	-	(1,157)
Balance at end of year	<u>53,171</u>	<u>214,651</u>	<u>72,960</u>	<u>294,540</u>

**INTEAN POALROATH RONGROEURNG LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**20. TAXATION** (continued)

**(b) Deferred tax assets, net** (continued)

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

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Severance pay and bonuses	30,073	121,405	31,106	125,576
Deferred interest income	10,644	42,970	21,193	85,556
Allowance for bad and doubtful loans	19,764	79,787	24,444	98,680
Unrealised exchange gain	(8,807)	(35,554)	(2,865)	(11,566)
Property and equipment and intangible assets	1,497	6,043	(918)	(3,706)
	<u>53,171</u>	<u>214,651</u>	<u>72,960</u>	<u>294,540</u>

**(c) Current income tax liabilities**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Balance at beginning of year	165,263	667,167	168,326	681,720
Income tax expense (note 20 (d))	69,726	281,484	188,036	759,101
Income tax paid	(188,321)	(760,252)	(200,472)	(809,305)
Under provision in respect of prior year	-	-	9,373	37,840
Translation difference	-	-	-	(2,189)
Balance at end of year	<u>46,668</u>	<u>188,399</u>	<u>165,263</u>	<u>667,167</u>

**(d) Income tax expense**

	<b>Year ended 31 December 2017</b>		<b>Year ended 31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
<b>Current tax:</b>				
Current tax on profit for the year	69,726	281,484	188,036	759,101
Profit tax credit written down	-	-	41,608	167,971
Adjustment in respect of prior year	-	-	9,373	37,840
	<u>69,726</u>	<u>281,484</u>	<u>239,017</u>	<u>964,912</u>
<b>Deferred tax:</b>				
Deferred tax	<u>19,789</u>	<u>79,888</u>	<u>16,055</u>	<u>64,814</u>
	<u>89,515</u>	<u>361,372</u>	<u>255,072</u>	<u>1,029,726</u>

**INTEAN POALROATH RONGROEURNG LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**20. TAXATION (continued)**

Reconciliation between income tax expense and accounting profit:

	<b>Year ended 31 December 2017</b>		<b>Year ended 31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Profit before income tax	423,289	1,708,819	926,815	3,741,552
Tax calculated at a rate of 20%	84,658	341,764	185,363	748,310
Expenses not deductible for tax purpose	7,384	29,809	3,875	15,643
Profit tax credit written down	-	-	41,608	167,971
Recognition of previously unrecognised deductible temporary difference	(2,527)	(10,201)	14,853	59,963
Adjustment in respect of prior year	-	-	9,373	37,839
	<u>89,515</u>	<u>361,372</u>	<u>255,072</u>	<u>1,029,726</u>

**21. CASH AND CASH EQUIVALENTS**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel '000</b>	<b>US\$</b>	<b>Riel '000</b>
Cash on hand	106,956	431,781	86,372	348,684
Balances with NBC - current account	1,761	7,109	1,256	5,070
Balances with banks matured not later than 3 months	<u>1,052,044</u>	<u>4,247,102</u>	<u>1,568,467</u>	<u>6,331,902</u>
	<u>1,160,761</u>	<u>4,685,992</u>	<u>1,656,095</u>	<u>6,685,656</u>

**22. RELATED PARTY TRANSACTIONS**

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

**(a) Transactions with related parties**

	<b>Year ended 31 December 2017</b>		<b>Year ended 31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Interest paid to directors during the year (note 22b)	<u>49,328</u>	<u>199,137</u>	<u>56,425</u>	<u>227,788</u>

**INTEAN POALROATH RONGROEURNG LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**22. RELATED PARTY TRANSACTIONS** (continued)

**(a) Transactions with related parties** (continued)

	<b>Year ended 31 December 2017</b>		<b>Year ended 31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Interest income from key management during the year	11,760	47,475	-	-

**(b) Balance with related parties**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
<i>Amount due to:</i>				
Mr. Hsu Ming-Yee (*)	500,000	2,018,500	500,000	2,018,500
Mr. Mak Sarun (**)	-	-	60,000	242,220
	<u>500,000</u>	<u>2,018,500</u>	<u>560,000</u>	<u>2,260,720</u>
<i>Amount due from:</i>				
Key management	<u>10,094</u>	<u>40,749</u>	<u>-</u>	<u>-</u>
<i>Staff advance:</i>				
Key management	<u>30,100</u>	<u>121,514</u>	<u>-</u>	<u>-</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 2017, the amount of US\$150,812 (2016: US\$117,365) 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 2017 amounted to US\$197,746 (2016: US\$144,914).

## INTEAN POALROATH RONGROEURNG LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 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. 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 2017		31 December 2016	
	US\$	Riel '000	US\$	Riel '000
<b>Financial assets</b>				
Cash on hand	106,956	431,781	86,372	348,684
Balances with the NBC	156,193	630,551	155,688	628,512
Balances with other banks	1,064,544	4,297,564	1,580,967	6,382,364
Loans to customers	8,774,571	35,422,943	11,115,868	44,874,759
Other assets	190,268	768,112	373,426	1,507,521
<b>Total financial assets</b>	<b>10,292,532</b>	<b>41,550,951</b>	<b>13,312,321</b>	<b>53,741,840</b>
<b>Financial liabilities</b>				
Borrowings	3,188,755	12,873,004	6,297,150	25,421,595
Other liabilities	63,665	257,014	140,699	568,002
<b>Total financial liabilities</b>	<b>3,252,420</b>	<b>13,130,018</b>	<b>6,437,849</b>	<b>25,989,597</b>
<b>Net financial assets</b>	<b>7,040,112</b>	<b>28,420,933</b>	<b>6,874,472</b>	<b>27,752,243</b>

## **INTEAN POALROATH RONGROEURNG LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **24. FINANCIAL RISK MANAGEMENT (continued)**

##### **24.1 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 allowance is made depending on the classification concerned and regardless of the assets (except for cash) pledged as collateral.

In addition to the specific allowance above, an additional general allowance is made at the rate of 1% (2016: 1%) of outstanding standard loans as at 31 December 2017 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 2017**

**24. 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 allowance for bad and doubtful loans.

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
<i>Credit exposure relating to on-balance sheet assets:</i>				
Balances with other banks	1,064,544	4,297,564	1,580,967	6,382,364
Loans to customers - net	8,774,571	35,422,943	11,115,868	44,874,759
Other assets	190,268	768,112	373,426	1,507,521
	<u>10,029,383</u>	<u>40,488,619</u>	<u>13,070,261</u>	<u>52,764,644</u>

The above table represents a worst case scenario of credit risk exposure to the Company at 31 December 2017 and 31 December 2016, 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, 87% of total maximum exposure is derived from loans to customers (2016: 85%).

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:

- 92% of the loans to customers are considered to be neither past due nor impaired (2016: 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 2017**

**24. FINANCIAL RISK MANAGEMENT** (continued)

**24.1 Credit risk** (continued)

**(e) Loans to customers**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Loans to customers neither past due nor impaired (i)	8,315,606	33,570,101	11,031,687	44,534,920
Loans to customers past due but not impaired (ii)	275,373	1,111,681	54,515	220,077
Loans to customers individually impaired (iii)	451,050	1,820,889	216,019	872,069
Gross amount	9,042,029	36,502,671	11,302,221	45,627,066
Less:				
Specific allowance (iv)	(181,495)	(732,695)	(75,444)	(304,567)
General allowance	(85,963)	(347,033)	(110,909)	(447,740)
Net loans to customers	8,774,572	35,422,943	11,115,868	44,874,759

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 allowance for bad and doubtful loans is US\$267,458 which represents allowance as required by Prakas B7-02-186 dated 13 September 2002 and 1% general allowance 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:

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>US\$</b>	<b>Riel'000</b>	<b>US\$</b>	<b>Riel'000</b>
Past due less than 30 days	275,373	1,111,681	54,515	220,077

## INTEAN POALROATH RONGROEURNG LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 24. FINANCIAL RISK MANAGEMENT (continued)

##### 24.1 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 allowance 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 2017		31 December 2016	
	US\$	Riel'000	US\$	Riel'000
Past due 30-59 days	33,247	134,218	38,295	154,597
Past due 60-89 days	22,087	89,165	23,579	95,188
Past due 90 days or more	395,716	1,597,506	154,145	622,284
	<u>451,050</u>	<u>1,820,889</u>	<u>216,019</u>	<u>872,069</u>

###### (iv) Specific allowance for bad and doubtful loans

Specific allowance 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 2017 (2016: nil).

## INTEAN POALROATH RONGROEURNG LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 24. FINANCIAL RISK MANAGEMENT (continued)

##### 24.1 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 2017 (2016: 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.

	<b>Agriculture US\$</b>	<b>Services US\$</b>	<b>Financial institution s US\$</b>	<b>Other categories US\$</b>	<b>Total US\$</b>	<b>Total Riel '000</b>
<b>As at 31 December 2017</b>						
Balances with other banks	-	-	1,064,544	-	1,064,544	4,297,564
Loans to customers (*)	6,669,854	210,270	-	2,161,905	9,042,029	36,502,671
Other assets	156,111	1,780	-	32,377	190,268	768,112
	<u>6,825,965</u>	<u>212,050</u>	<u>1,064,544</u>	<u>2,194,282</u>	<u>10,296,841</u>	<u>41,568,347</u>
<b>As at 31 December 2016</b>						
Balances with other banks	-	-	1,580,967	-	1,580,967	6,382,364
Loans to customers (*)	10,744,912	416,320	-	140,989	11,302,221	45,627,066
Other assets	366,010	4,646	-	2,770	373,426	1,507,521
	<u>11,110,922</u>	<u>420,966</u>	<u>1,580,967</u>	<u>143,759</u>	<u>13,256,614</u>	<u>53,516,951</u>

(\*) Excluding allowance for bad and doubtful loans

##### 24.2 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 2017****24. FINANCIAL RISK MANAGEMENT** (continued)**24.2 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 2017 and 31 December 2016. 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.

	<b>(US\$ equivalent)</b>			<b>Total</b>
	<b>US\$</b>	<b>THB</b>	<b>Riel</b>	<b>US\$</b>
<b>31 December 2017</b>				
<b>Financial assets</b>				
Cash on hand	71,110	5,513	30,333	106,956
Balances with the NBC	156,193	-	-	156,193
Balances with other banks	810,562	81,160	172,822	1,064,544
Loans to customers	7,053,482	1,059,692	661,397	8,774,571
Other assets	140,613	36,744	12,911	190,268
Total financial assets	<u>8,231,960</u>	<u>1,183,109</u>	<u>877,463</u>	<u>10,292,532</u>
<b>Financial liabilities</b>				
Borrowings	2,500,001	688,754	-	3,188,755
Accruals and other liabilities	32,512	31,073	80	63,665
Total financial liabilities	<u>2,532,513</u>	<u>719,827</u>	<u>80</u>	<u>3,252,420</u>
<b>Net financial asset position</b>	<u>5,699,447</u>	<u>463,282</u>	<u>877,383</u>	<u>7,040,112</u>
Riel'000 equivalent	<u>23,008,668</u>	<u>1,870,269</u>	<u>3,541,996</u>	<u>28,420,933</u>

**INTEAN POALROATH RONGROEURNG LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017****24. FINANCIAL RISK MANAGEMENT** (continued)**24.2 Market risk** (continued)*(i) Foreign exchange risk (continued)*

	<b>(US\$ equivalent)</b>			<b>Total</b>
	<b>US\$</b>	<b>THB</b>	<b>Riel</b>	<b>US\$</b>
<b>31 December 2016</b>				
<b>Financial assets</b>				
Cash on hand	55,350	5,186	25,836	86,372
Balances with the NBC	155,688	-	-	155,688
Balances with other 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>
<b>Financial liabilities</b>				
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>
<b>Net financial asset position</b>	<u>5,229,229</u>	<u>644,383</u>	<u>1,000,860</u>	<u>6,874,472</u>
Riel'000 equivalent	<u>21,110,397</u>	<u>2,601,374</u>	<u>4,040,472</u>	<u>27,752,243</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 2017**

**24. FINANCIAL RISK MANAGEMENT** (continued)

**24.2 Market risk** (continued)

*(iii) Interest rate risk (continued)*

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

	<b>Less than 1 month US\$</b>	<b>1 month to 3 months US\$</b>	<b>3 months to 1 year US\$</b>	<b>1 year to 5 years US\$</b>	<b>Over 5 years US\$</b>	<b>Non interest bearing US\$</b>	<b>Total US\$</b>
<b>As at 31 December 2017</b>							
<b>Assets</b>							
Cash on hand	-	-	-	-	-	106,956	106,956
Balances with the NBC	-	-	-	-	154,432	1,761	156,193
Balances with other banks	-	-	12,500	-	-	1,052,044	1,064,544
Loans to customers (*)	165,882	94,907	1,530,767	7,250,473	-	-	9,042,029
Other assets	190,268	-	-	-	-	-	190,268
<b>Total financial assets</b>	<b>356,150</b>	<b>94,907</b>	<b>1,543,267</b>	<b>7,250,473</b>	<b>154,432</b>	<b>1,160,761</b>	<b>10,559,990</b>
<b>Liabilities</b>							
Borrowings	425,000	589,479	1,000,000	1,174,276	-	-	3,188,755
Other liabilities	54,557	-	-	-	-	9,108	63,665
<b>Total financial liabilities</b>	<b>479,557</b>	<b>589,479</b>	<b>1,000,000</b>	<b>1,174,276</b>	<b>-</b>	<b>9,108</b>	<b>3,252,420</b>
<b>Total interest re-pricing gap</b>	<b>(123,407)</b>	<b>(494,572)</b>	<b>543,267</b>	<b>6,076,197</b>	<b>154,432</b>	<b>1,151,653</b>	<b>7,307,570</b>
Riel'000 equivalent	(498,194)	(1,996,587)	2,193,169	24,529,607	623,442	4,649,223	29,500,660

**INTEAN POALROATH RONGROEURNG LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**25. FINANCIAL RISK MANAGEMENT** (continued)

**25.2 Market risk** (continued)

(iii) Interest rate risk (continued)

	<b>Less than 1 month US\$</b>	<b>1 month to 3 months US\$</b>	<b>3 months to 1 year US\$</b>	<b>1 year to 5 years US\$</b>	<b>Over 5 years US\$</b>	<b>Non interest bearing US\$</b>	<b>Total US\$</b>
<b>As at 31 December 2016</b>							
<b>Assets</b>							
Cash on hand	-	-	-	-	-	86,372	86,372
Balances with the NBC	-	-	-	-	154,432	1,256	155,688
Balances with other banks	1,069,234	-	12,500	-	-	499,233	1,580,967
Loans to customers (*)	525,052	2,364,546	1,614,064	6,798,559	-	-	11,302,221
Other assets	373,426	-	-	-	-	-	373,426
<b>Total financial assets</b>	<b>1,967,712</b>	<b>2,364,546</b>	<b>1,626,564</b>	<b>6,798,559</b>	<b>154,432</b>	<b>586,861</b>	<b>13,498,674</b>
<b>Liabilities</b>							
Borrowings	-	-	1,500,850	4,796,300	-	-	6,297,150
Other liabilities	116,818	-	-	-	-	23,881	140,699
<b>Total financial liabilities</b>	<b>116,818</b>	<b>-</b>	<b>1,500,850</b>	<b>4,796,300</b>	<b>-</b>	<b>23,881</b>	<b>6,437,849</b>
<b>Total interest re-pricing gap</b>	<b>1,850,894</b>	<b>2,364,546</b>	<b>125,714</b>	<b>2,002,259</b>	<b>154,432</b>	<b>562,980</b>	<b>7,060,825</b>
Riel'000 equivalent	7,472,059	9,545,672	507,507	8,083,120	623,442	2,272,750	28,504,550

(\*) Excluding allowance for bad and doubtful loans

## **INTEAN POALROATH RONGROEURNG LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **24. FINANCIAL RISK MANAGEMENT (continued)**

##### **24.3 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.

**INTEAN POALROATH RONGROEURNG LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**24. FINANCIAL RISK MANAGEMENT** (continued)

**24.3 Liquidity risk** (continued)

**(c) Non-derivative cash flows** (continued)

	<b>Less than 1 month US\$</b>	<b>1 to 3 months US\$</b>	<b>3 to 12 months US\$</b>	<b>1 to 5 years US\$</b>	<b>Over 5 years US\$</b>	<b>Total US\$</b>
<b>As at 31 December 2017</b>						
<b>Financial liabilities</b>						
Borrowings	431,382	636,269	1,484,908	912,275	-	3,464,834
Other liabilities	9,108	-	-	-	-	9,108
Total financial liabilities by remaining contractual maturities	<u>440,490</u>	<u>636,269</u>	<u>1,484,908</u>	<u>912,275</u>	<u>-</u>	<u>3,473,942</u>
Riel'000 equivalent	<u>1,778,258</u>	<u>2,568,618</u>	<u>5,994,574</u>	<u>3,682,854</u>	<u>-</u>	<u>14,024,304</u>
<b>As at 31 December 2016</b>						
<b>Financial liabilities</b>						
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>
Riel'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>

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 2017**

#### **24. FINANCIAL RISK MANAGEMENT (continued)**

##### **24.4 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. Balances with other banks*

Balances with other 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 allowance for bad and doubtful loans and their carrying value approximates fair value. The allowance for bad and doubtful 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 2017**

#### **24. FINANCIAL RISK MANAGEMENT (continued)**

##### **24.5 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.

As at 31 December 2017, the Company has the registered capital amounting to US\$3,088,645 (equivalent to Riel 12 billion).

#### **25. CURRENT AND NON-CURRENT**

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

#### **26. COMPARATIVE INFORMATION**

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

#### **27. EVENTS AFTER REPORTING DATE**

On 16 February 2018, the NBC issued a Circular No. B7-018-001 on the Implementation of Prakas on Credit Risk Grading and Impairment Provisioning, which clarifies the classification and impairment provisioning for short-term credit facilities as follows, among other clarifications:

<b>Classification</b>	<b>Number of past due days</b>	<b>Allowance</b>
Normal	14 days or less	1%
Special mention	15 days – 30 days	3%
Substandard	31 days – 60 days	20%
Doubtful	61 days – 90 days	50%
Loss	91 days or more	100%

In addition, banks and financial institutions shall provide allowance on off-balance sheet items per detailed instructions in the Circular. The Circular is effective from 16 February 2018.