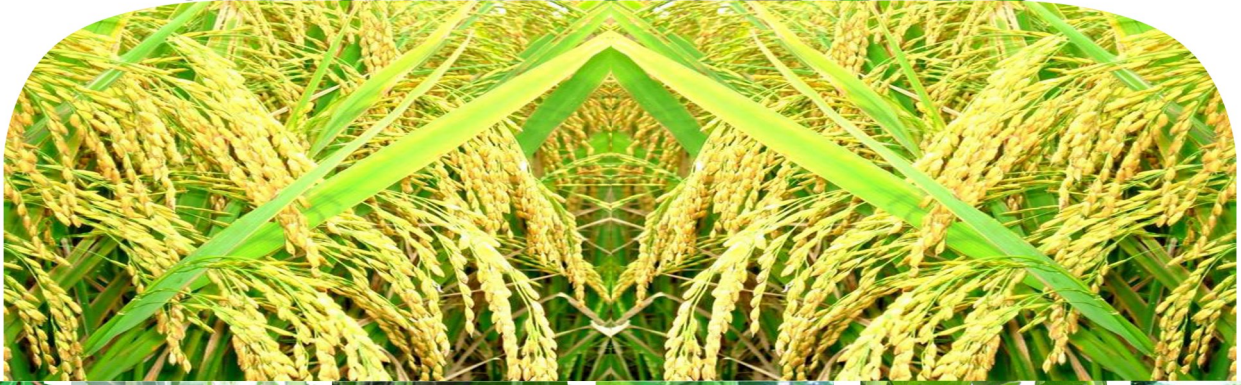


MICROFINANCE INSTITUTION



INTEAN POALROATH RONGROEURNG LTD.

ANNUAL REPORT 2016



HELPING RURAL PEOPLE

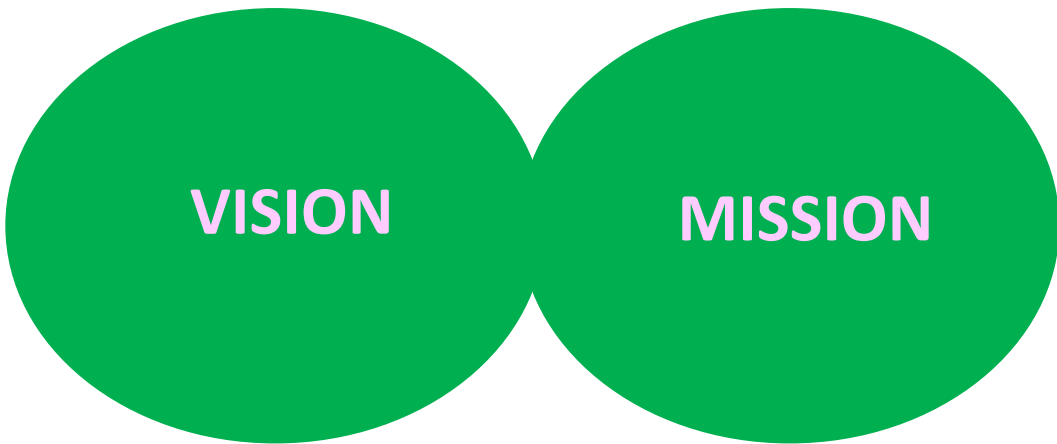
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ACRONYMS AND ABBREVIATIONS

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

COMPANY VISION & MISSION



VISION

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

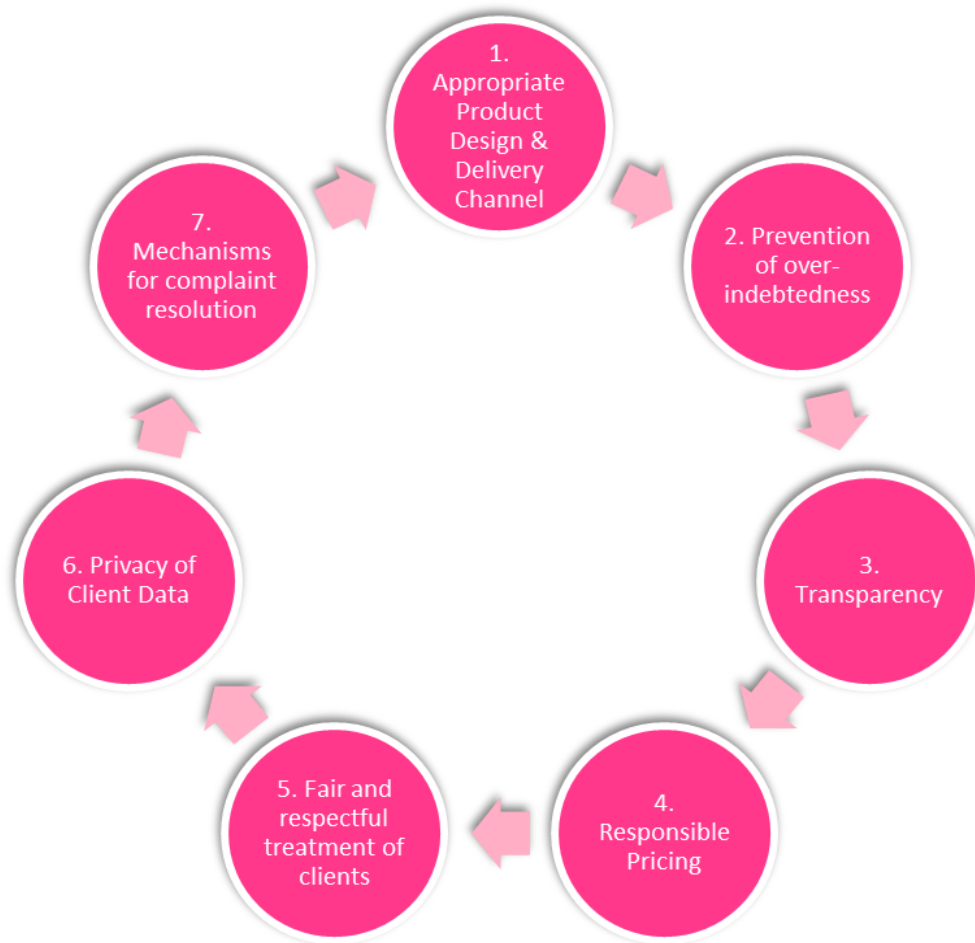
MISSION

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

CLIENTS PROTECTION PRINCIPLES

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

In 2016, important advancement has been made in terms of IPR's operational social performance. Microfinanza consultancy firm conducted a comprehensive assessment of IPR practices against the standards of Smart Campaign's Client Protection Principles. A compliance report together with recommended actions has been produced. IPR, furthermore, develops comprehensive action plans following the recommended actions and integrated them into its action plans of functional departments. IPR is expecting to receive technical assistance and to make effort in filling the gaps to the CPP standards.



2016 COMPANY PERFORMANCE HIGHLIGHT

Indicators	2014	2015	2016
Net Profit	\$ 898,638	\$ 666,503	\$ 671,744
Return on Assets	10.2%	6.1%	5.2%
Return on Equity	14.6%	9.6%	9.6%
Total Assets	16.3% up	32.5% up	8.4% up
Loan Portfolio	\$ 7,583,128	\$ 9,389,015	\$ 11,302,221
Agriculture Loan	99%	96%	95%
Outstanding Clients	4,424 Clients	4629 Clients	4,925 Clients
Number of Women Borrowers	85%	89.8%	90%
Leverage	0.4	0.7	1.0
Write-Off Ratio	0.52%	0.3%	0.9%
Portfolio At Risk	0.55%	1.2%	1.9%

MESSAGE



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

Cambodia economic growth remains strong at 7% the same in 2015, with the growth in the sector of industry, services and agriculture increased by 11.4%, 6.7%, and 0.5% respectively. The average GDP per capita increased to \$ USD 1,300 (NBC Annual Report 2016). Noticeably, garments, constructions, and tourism remained the key sectors to support the economic growth, whilst the agriculture has been slightly accelerated because of the more favorable weather conditions comparing to last year. At the same time, finance and banking sectors still significantly contributed to support the Cambodia economic growth with sustainability and environmentally in response to the government policies.

Still being an organic growth MFI, IPR's 2016 gross loan portfolio reached USD \$ 11,302,211 while the number of borrowed households increased to 4,925, about 20.4% and 6.4% growth respectively compared with 2015 ended figures. As well, IPR 2016 growth was about the same to the sector's. In comparison with the wide sector growth of 20.1% in loan portfolio and 1.3% in number of borrowers (CMA Network Information Exchange, December 2015 and December 2016), IPR household growth can be said to have outperformed the sector.

In terms of the company's ROA, IPR still performed good at 5.2% in 2016; whilst profitability increased by 0.8%. Cost of fund has increased dramatically due to the increase of leverage. In addition, IPR builds good relationship with existing lenders for the sake of growing its portfolio disbursement plan and has attracted new investors for potential investment. The partnership and relationship would tremendously contribute to the company's growth in both financial prospect and branding.

Other than the attention to operations, IPR also enhanced internal system and infrastructure as well as its business capacities continuously. The compensation scheme has refined; core MIS system is upgraded; financial reports has solely depended on Abacus System now. Last but not least, CPP adherence has been moving to assessment stage, from international consultancy firm, and will continue its steps time to time.

To conclude, I would like to extend my profound thank to our investors, customers, and directors for their confidence and support during 2016 and, above all, our great staff for their hard work, loyalty, tremendous efforts and on-going dedication to the IPR. I would also extend a special word of appreciation to our CEO for his exemplary leadership to the institution during the year.

Sincerely yours,



Oknha Phou Puy
Chairman



MESSAGE

**From the Chief Executive Officer
Mr. HORT Bunsong**



Cambodian microfinance sector was, in 2016, noticed of further significant development in terms of players and operational size. It seemed that the sector is becoming more attractive to new investors to enter into. According to NBC, by the end of 2016 the number of microfinance institutions was 71, of which 7 are microfinance deposit-taking institutions. With the increase of players, the size of microfinance operation including credits and deposits has increased by 4.7% to KHR 12,662 billion, roughly US\$ 3.16 billion, and 12.7% to KHR 5,957 billion, roughly US\$ 1.49 billion, accordingly. As for profitability, with reference to 2016 performance calculation of the central bank, the sector achieved a return on assets of 3.5% and a return on equity of 16.4%. The whole sector performance shown attractive result even there is a significant increase of NPL, which probably caused by more new entrants with less professionalism and by aggressive growth of key players.

As for the Company IPR, the NPL by 2016 ended was closed to 2%, a much higher than each of the previous five consecutive years'. This NPL ratio went along with the sectorwide's. For IPR in particular that focusing on agriculture, the weather, as indicated last year of possible affecting on 2016's credit operations, was also the factor that led to more defaulted loans. Furthermore, the impacts on portfolio quality were also partly from the significant drop of agricultural commodity price and the internal matter re loan assessment that need a continuously strengthening.

More specifically in 2016, IPR internally was remarked with key highlights as the following:

Financial Performance: Since 2011, IPR's non-performing loan was lower than 1% and just slightly increased in 2015 to 1.2%, versus the sectorwide at 0.8%, and stood at 1.9% in 2016, versus the sectorwide at roughly 1.6%, including rescheduled loans. Furthermore, the written-off loan to gross loan portfolio was 0.9%, about 3 folds more than 2015, versus the sectorwide at 0.25%, with reference to CMA's NIX as of 2016 ended. Caused by the increase of NPL, the Company's return on assets was starting to slow down for two consecutive years 2015 and 2016 at 6.1% and 5.2% respectively. The lower return however was also mainly due to a drop in interest rate for clients in reflection to market development. The Company's return on assets however was still better than the sectoral average of 3.5% in 2016. In terms of return on equity, IPR was low at 9.6% for two consecutive years 2015 and 2016, while the sectoral average by 2016 was 16.4%, on account of IPR's lower leverage.

Social Performance: Agriculture and rural lending are the Company's focus. Women, considering the family's financial decision maker in Cambodian society, as borrowers are prioritized while their spouses are co-borrowers. In IPR's view, financial and social goals are compatible. The improvement of clients' economic conditions, as mentioned in its mission, not only enhances their capacity to repay, but clients will be satisfied and thus potentially more willing to borrow from IPR again. And from utilization of funding loan, the Company wants to see the clients' wealth in terms of assets is increased from time to time. This is the reason IPR set the clients' net assets as a social indicator and it is currently being tracked. Micro-insurance is another social purpose the Company wants to see its clients are more secured once they are in health problem and disability. For this reason, IPR encourages all clients to have protection scheme through its engaged micro-insurance partner.

MIS: The core system Abacus is being operational fully in 2016, both the Loan Management and Accounting modules, and the old loan management Excel Spreadsheet and accounting QuickBooks were dropped out by first and fourth quarters respectively during the year. The tracking system Abacus is now much reliable with efficient reporting for both internal and external needs.

MESSAGE

**From the Chief Executive Officer
Mr. HORT Bunsong**



Expansion: Outstanding loan portfolio reached \$ 11.3 million in December 2016, grew up from \$ 9.4 million in 2015, an expansion of 20%, which is comparable with the whole sector growth rate, over 2015. The number of clients was just slightly increased from 4,629 to 4,926, an expansion of 6%, which is outperformed than the sector-wide growth rate at 1.3%, over 2015. The percentage of larger increase of loan portfolio than the increase of number of clients was due to more disbursement of larger loan size. IPR has consistently grown faster in portfolio volume than in the number of clients in the last few years, resulting in an increasing average loan size. The average disbursed loan size increased from \$ 2,000 in 2015 to \$ 2,500 as of December 2016, one of the highest average loan sizes among the country's MFIs.

Challenge: As indicated last year, *competition* has been becoming tougher in IPR's penetrated market areas. The creation of partnership in agriculture value chain, with reference to IPR long-term business strategies, for differentiation purpose which was previously considered a challenge is now turning to be a strategic need in settlement the competition challenging if the Company still persist rural and agriculture focus. The agriculture value chain partnership is still difficult as potential stakeholders seem reluctance to enter as probably due to their insufficient production infrastructure and funding limitation to absorb agriculture yield. This should be an obvious factor that caused to agriculture commodity price drop, which was remarked by unaccustomed complaint from farmers during a harvest season in 2016. From 2016 challenge, another need, product offering diversification rather than agriculture alone, is becoming critical for IPR facing the current market completion.

Even being faced with challenge as mentioned, under a continuous strong support of the governing board and all funding investors, we are confident to struggle with all obstacles in order to move the Company's operations to more outreach from time to time. On behalf of the Company, I take this opportunity to sincerely thank all staff members, the board of directors, shareholders and investors for the effort, support and guidance so far to the Company. I wish you all to continue the effort and cooperation to promote IPR further.

Sincerely Yours,

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

HORT Bunsong

Chief Executive Officer

COMPANY HISTORY

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

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

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

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

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

COMPANY

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

MFI LICENSE FROM NATIONAL BANK OF CAMBODIA



ព្រះរាជាណាចក្រកម្ពុជា
KINGDOM OF CAMBODIA
ជាតិ សាសនា ព្រះមហាក្សត្រ
Nation Religion King

ធនាគារជាតិ នៃ កម្ពុជា
National Bank of Cambodia
លេខ : ម.ប. ១៤
N° : M.F 14

អាជ្ញាប័ណ្ណប្រតិបត្តិកម្មស្រុះស្រួលស្រាវជ្រាវ
LICENSE TO CONDUCT MICRO FINANCE BUSINESS

ធនាគារជាតិនៃកម្ពុជា THE NATIONAL BANK OF CAMBODIA

អនុញ្ញាតឱ្យ ឥណទានកម្ពុជាក្រិម អិលធីអិល ដែលមានទីស្នាក់ការកណ្តាលនៅ ផ្ទះលេខ៩៤ មហាវិថីសហព័ន្ធរុស្ស៊ី សង្កាត់ផ្សារដំបូង ខណ្ឌទួលគោក រាជធានីភ្នំពេញ ដើម្បីប្រតិបត្តិកម្មជា គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ ។

The Micro Finance Institution Intean Poalroath Rongroeurng Ltd., shall abide by the Law on Banking and Financial Institutions and any prakas, regulations, circulars, and conditions prescribed by the National Bank of Cambodia.

Phnom Penh, 19 July, 2009
Governor
Signed and sealed.

ក្រាបបង្គំ ថ្ងៃទី ១៩ ខែ មិថុនា ឆ្នាំ ២០០៩
នាយកធនាគារជាតិ

• អាជ្ញាប័ណ្ណនេះ មានសុពលភាពចាប់ពីថ្ងៃចុះហត្ថលេខានេះតទៅ
• អាជ្ញាប័ណ្ណនេះ ត្រូវបង្ហាញសាធារណៈជនគ្រប់ពេលវេលា

• This license is valid from the signing date.
• This license shall be displayed in public at all times.

BUSINESS LICENSE FROM MINISTRY OF COMMERCE



ក្រសួងពាណិជ្ជកម្ម
MINISTRY OF COMMERCE
No.MOC/D/REG

ព្រះរាជាណាចក្រកម្ពុជា
ជាតិ សាសនា ព្រះមហាក្សត្រ
KINGDOM OF CAMBODIA
NATION RELIGION KING

វិញ្ញាបនបត្រ
បញ្ជាក់ការចុះឈ្មោះក្នុងបញ្ជីក្រុមហ៊ុន
CERTIFICATE OF INCORPORATION

នាមករណ៍ : **ឥណទានកម្ពុជាក្រិម អិលធីអិល**
NAME : INTEAN POALROATH RONGROEURNG LTD

ចុះបញ្ជីក្រោមលេខ : Co. ៧៨៩៦ KH/២០០៥ ចុះថ្ងៃទី ១៩ ខែ កក្កដា ឆ្នាំ ២០០៥
REGISTRATION NUMBER : Co. 7896 KH/2005 Dated 19 July 2005

ត្រូវបានទទួលស្គាល់ថា : ក្រុមហ៊ុនឯកជនទទួលខុសត្រូវមានកម្រិត
IS ACKNOWLEDGED AS : PRIVATE LIMITED COMPANY

ស្ថិតក្រោមបទបញ្ញត្តិនៃច្បាប់ស្តីពីការចុះឈ្មោះក្រុមហ៊ុន និងបញ្ជីក្រុមហ៊ុន ក្រុមហ៊ុនសហគ្រាសក្រុមហ៊ុន និងក្រុមហ៊ុនស្រុក ដែលមានជាធរមាន
នៃព្រះរាជាណាចក្រកម្ពុជា ។
UNDER THE REGULATIONS OF COMMERCIAL RULES AND REGISTER LAW, COMMERCIAL ENTERPRISES LAW, CIVIL CODE, AND PENAL CODE OF THE KINGDOM OF CAMBODIA.

ភ្នំពេញ, ថ្ងៃទី ១៩ ខែ កក្កដា ឆ្នាំ ២០០៩
PHNOM PENH

នាយកក្រសួងពាណិជ្ជកម្ម
SENIOR MINISTER
MINISTER OF COMMERCE

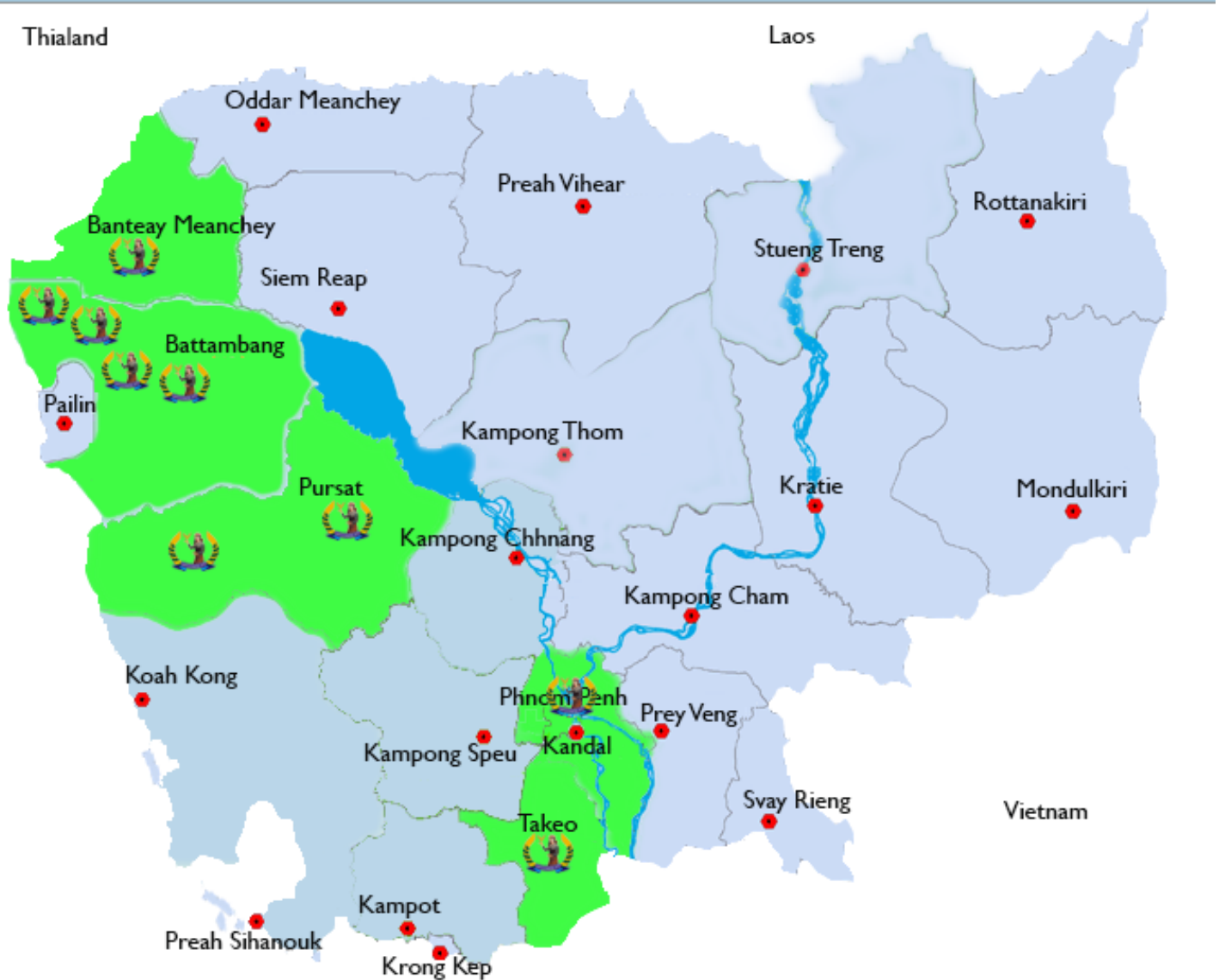
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ហួសរយៈពេលកំណត់នេះត្រូវចាត់ទុកជាមោឃៈ
• THE CERTIFICATE IS VALID FROM THE SIGNING DATE TO 19 August, 2014
IT WILL BE CONSIDERED INVALID AFTER THE STATED DATE.

• វិញ្ញាបនបត្រនេះត្រូវតែប្រើប្រាស់ជាមុនរយៈពេល ៣០ ថ្ងៃ មុនថ្ងៃផុតសុពលភាព
• THE RENEWAL OF THIS CERTIFICATE SHALL BE MADE IN 30 DAYS BEFORE THE EXPIRY DATE.

BRANCH NETWORK

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

In early 2017, IPR plans to revise its branch structure with composing of branch and sub-branch. The current three district branches will be upgraded to be branch office; namely Sampov Lun, Kamrieng and Kravanh.



DIRECTORY

Branch	Address
Head Office: Phnom Penh	<p>🏠 #779A, Kampuchea Kraom Blvd Sagkat Tuek Laak 1, Khan Tuol Kouk, Phnom Penh, Cambodia.</p> <p>☎ (+855) 023 990 237/023 6 364 125</p> <p>✉ info@iprmfi.com</p> <p>www.iprmfi.com</p>
Main Branch: Takaev Province	<p>🏠 Kbal Pou village, Sambuor Commune, Treang District, Takeo Province.</p> <p>☎ (+855) 032 63 64 127/ 070 999 236</p> <p>✉ bm002@iprmfi.com</p>
District Branch: Kaoh Andaet	<p>🏠 Romenh Khang Cheung Village, Romenh Commune, Kaoh Andaet District, Takeo Province.</p> <p>☎ (+855) 070 999 258</p> <p>✉ spt002-01@iprmfi.com</p>
District Branch: Borei Cholsar	<p>🏠 Ta Ros Village, Doung Khpos Commune, Borei Cholsar District, Takeo Province.</p> <p>☎ (+855) 070 999 251</p> <p>✉ spt002-02@iprmfi.com</p>
District Branch: Prey Kabbas	<p>🏠 Phsar Chrae Village, Angkanh Commune, Prey Kabbas District, Takeo Province.</p> <p>☎ (+855) 070 999 248</p> <p>✉ spt002-03@iprmfi.com</p>
Main Branch: Phnum Proek	<p>🏠 Phnom Touch Village, Pech Chenda Commune, Phnum Proek District, Battambang Province</p> <p>☎ (+855) 053 63 63 734/ 070 999 350</p> <p>✉ bm003@iprmfi.com</p>
District Branch: Sampov Lun	<p>🏠 Ta Sda Village, Ta Sda Commune, Sampov Loun District, Battambang Province.</p> <p>☎ (+855) 070 999 343</p> <p>✉ spt003-01@iprmfi.com</p>
District Branch: Kamrieng	<p>🏠 Svay Thum Village, Boeng Reang Commune, Kamrieng District, Battambang Province.</p> <p>☎ (+855) 070 999 349</p> <p>✉ spt003-02@iprmfi.com</p>
Main Branch: Banteay Meanchey Province	<p>🏠 Ou Snguot Village, Banteay Neang Commune, Mongkol Borei District, Banteay Meanchey Province</p> <p>☎ (+855) 054 63 85 855/ 070 999 473</p> <p>✉ bm004@iprmfi.com</p>
Main Branch: Pursat Province	<p>🏠 Khnach Romeas Village, Boeng Khnar Commune, Bakan District, Pursat Province</p> <p>☎ (+855) 052 6 333 853/ 070 999 498</p> <p>✉ bm005@iprmfi.com</p>
District Branch: Phnum Kravanh	<p>🏠 Bat Rumduol Village, Phteah Rung Commune, Phnum Kravanh District, Pursat Province.</p> <p>☎ (+855) 070 999 489</p> <p>✉ bt005-01@iprmfi.com</p>

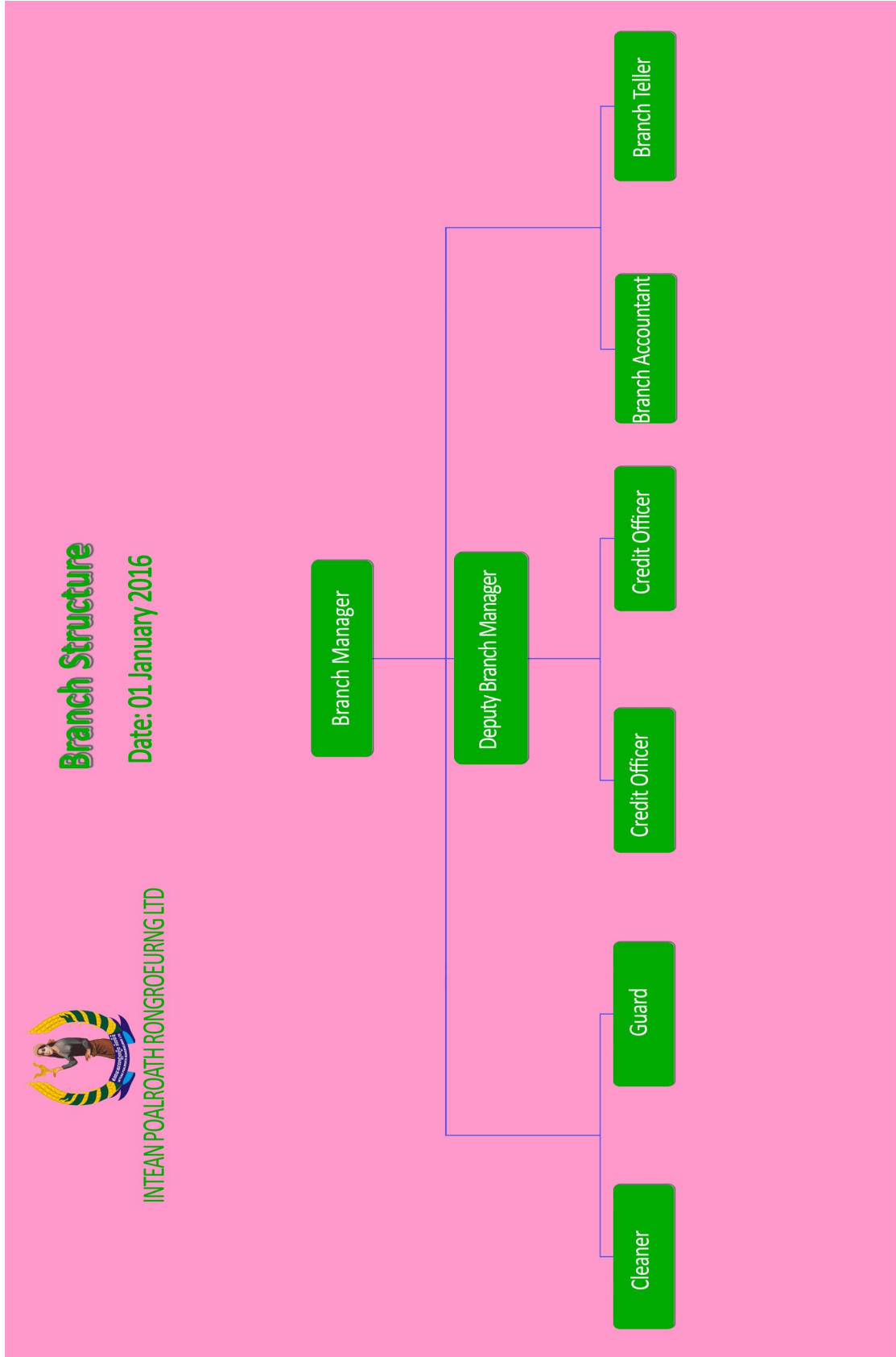
DIRECTORY

Branch	Address
Main Branch: Bat Dambang Province	<p> Anhchanh Village, Sangkat Ou Char, Battambang District, Battambang Province</p> <p> (+855) 053 63 44 428</p> <p> bm006@iprmfi.com</p>
District Branch: Bavel	<p> Spean Kandaol Village, Bavel Commune, Bavel District, Battambang Province</p> <p> (+855) 053 666 5232/ 070 999 724</p> <p> bt006-01@iprmfi.com</p>
District Branch: Samlout	<p> Ta Sanh Khang Chheung village, Ta Sanh Commune, Samlout District, Battambang Province</p> <p> (+855) 070 999 732</p> <p> bt006-02@iprmfi.com</p>

ORGANIZATIONAL CHART



BRANCH STRUCTURE



BOARD OF DIRECTOR

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



Mr. Oknha PHOU Puy
Director

Mr. MIN Kimsan
Director



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

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



Mr. MAK Sarun
Director

Mr. MAO Savin
Director



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

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



Mr. CHAN Sophal
Director

BOARD OF DIRECTOR

Mr. HSU Ming-Yee is an independent microfinance consultant and investor. Currently, he assists IPR as Operations Coach from August 2016. He used to work as Adviser, then as Head of Operations department at IPR from 2011 to 2014. Before engaging with IPR, Mr. HSU Ming-Yee worked for ADA, a Luxembourg NGO specialized in microfinance, where he coordinated the set-up of the Luxembourg Microfinance and Development Fund and managed its investment portfolio in Asia and East Africa. Prior to ADA, he worked for the European Commission in Malaysia and for the Central Bank of Luxembourg. Mr. HSU Ming-Yee has published works on banking stability, the US personal savings rate and microfinance funding.



Mr. HSU Ming-Yee
Director

Ms. POK Nivilay
Director



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

SENIOR MANAGEMENT



Mr. HORT Bunsong
Chief Executive Officer

Mr. HORT Bunsong is currently the CEO, serving this function from the inception stage of the Company; key role in the creation of IPR in start-up phase through building internal infrastructure including MAA, policies, procedures and planning for the Company registration and obtainment of MFI license. His prior experiences include general management, public relations and education.



Mr. HSU Ming-Yee
Operations Coach

Mr. HSU Ming-Yee serves as Operations Coach from August 2016. He is also a member of IPR's Board of Directors and has worked for IPR from 2011 to 2014, first as Adviser, then as Head of Operations department. Before engaging with IPR, Mr. HSU Ming-Yee worked for ADA, a Luxembourg NGO specialized in microfinance, where he coordinated the set-up of the Luxembourg Microfinance and Development Fund and managed its investment portfolio in Asia and East Africa. Prior to ADA, he worked for the European Commission in Malaysia and for the Central Bank of Luxembourg. Mr. HSU Ming-Yee has published works on banking stability, the US personal savings rate and microfinance funding.



Mr. HAY Kimkhorn
Head of Finance

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



Mr. LUN Chantheng
Head of Human Resources

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

SENIOR MANAGEMENT



Mr. CHENG Vannet
Head of Internal Audit

Mr. CHENG Vannet is currently serving as Head of Internal Audit. He joined IPR in January 2010 and held many positions including Loan Recovery Manager, Main Branch Manager, and Credit Manager and Acting Head of Operations. He used to work as Credit Officer with one commercial bank for two years and Operations Manager with one credit operator between 2007 and 2009.



Mr. HENG Phinath
Acting Head of IT

Mr. HENG Phinath has joined Intean Poalroath Rongroeurng Ltd (IPR) as Senior Software Developer in December 2015 and then promoted as Acting Head of IT in July 2016. Prior to joining IPR, Phinath was employed as Software Developer, Operations Manager. Phinath have successfully obtained Bachelor Degree of Computer Sciences at MIT Institute, University of Pune, India.

SHAREHOLDER AND LENDERS

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

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

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

CLIENTELE AND PRODUCTS

IPR operates in four provinces in Cambodia through a network of five main/provincial branches and eight district branches. The four provinces are Banteay Meanchey, Bat Dambang, Pursat and Takaev. While the eight district branches are managed by their main/provincial branch, all main/provincial branches are managed by a head office based in the capital Phnom Penh.

Among Cambodian MFIs, IPR stands out as one of the very few that focus on rural areas. IPR targets individual clients in areas where ample potential for agricultural production exists and a good irrigation system is available. Although mostly farmers, IPR's clients generally possess several sources of income within their family, thereby lowering the risk that they cannot repay their loan to IPR if one income source fails.

IPR offers two loan products that are differentiated by their tenor. The Working Capital loan is granted for a tenor of 3 to 12 months for purchasing seeds, fertilizer and other running inputs. The

Investment loan is granted for a tenor of 13 to 36 months for purchasing equipment, machinery, land and other capital goods. Repayment modalities are flexible, with loan principal payable monthly, bi-monthly, quarterly, every four months, every five months, semi-annually and, in the case of short term loan up to one year, even as a lump sum at the end of the tenor. This last repayment modality, also called balloon loan, is favored by farmers whose income is predominantly seasonal.

Three loan currencies are offered, US dollar, Khmer riel and Thai baht. The interest rate charged depends on loan size, currency and the perceived risk of the client. Larger loans, loans in US dollar and lower-risk clients benefit from a lower interest rate. All loans have to be backed up by real estate collateral, while guarantors to enhance client creditworthiness are optional but encouraged.



**2016: A YEAR IN
REVIEW**

**Social Performance
Operational Highlight
Financial Highlight
Staff and Capacity Building
Internal Audit and Control
Information Technology Highlight**

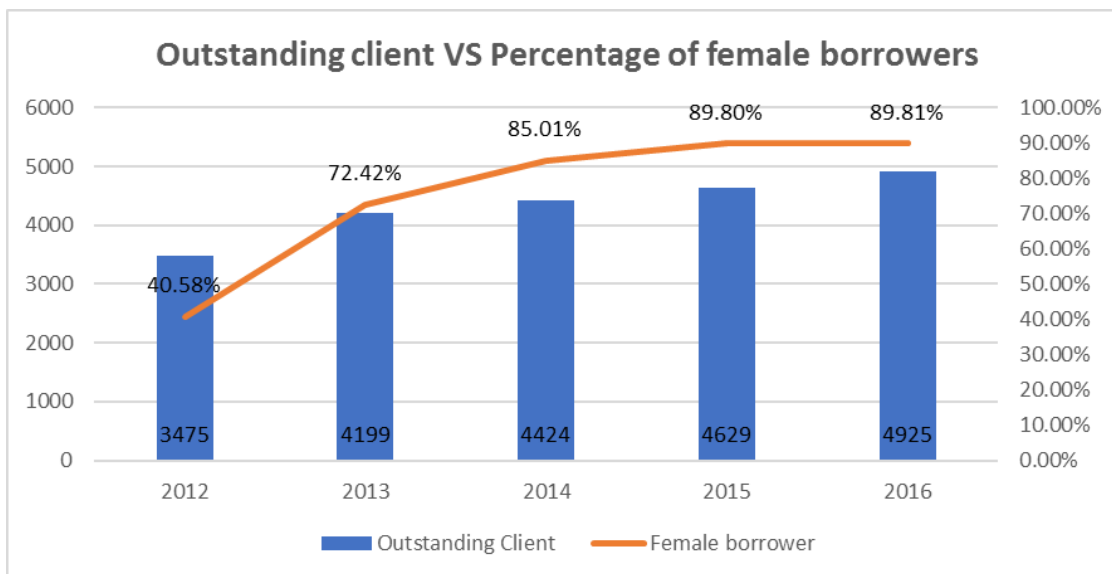
SOCIAL PERFORMANCE

According to its mission, IPR aims at **“providing convenient financial services adapted to agriculture-related businesses in order to improve the economic conditions of farmers while sustaining the institution’s profitable growth”**. IPR therefore pursues both social and commercial goals. It strives not only to generate profit, but also to improve the welfare of its clients. Moreover, beyond the focus on clients stated in its mission, IPR also strives at having a positive impact in its operations on the wider community and on the natural environment.

Whereas the financial performance of a company is easy to measure, because the measurement relies exclusively on monetary units and it has one ultimate aim in company profitability, measuring a company’s social performance is harder due to its multiple goals and

multiple ways of measurement. Nevertheless, IPR internally attempts to monitor at least part of its social performance in **two indicators**: The first indicator relates to **IPR’s contribution to empowerment women**. The second indicator compares **client net assets from one loan cycle to the next**, which responds directly to the goal laid out in IPR’s mission.

At IPR, the percentage of female clients is about 90% among all borrowers. In the social perspective, lending to women is better, as women are considered socially at a disadvantage and a loan can expand their economic possibilities and empower them. Moreover, women are acknowledged in better financial management compare to men in Cambodia society. The chart below shows the percentage of female borrowers compare to total outstanding client.



Changes in the economic conditions of IPR’s clients are reflected in changes in their income and expenses and ultimately in changes in their assets and liabilities. The comparison of client net assets between loan cycles can gauge whether client welfare has improved over time. If it has, IPR can claim fulfilment of its mission. The systems to track client net asset was developed for monitoring purpose. The evolution of client net assets over time however needs to be interpreted with caution. Firstly, asset increase or decrease between loan cycles can have multiple reasons besides IPR’s loan and very difficult to disentangle. A second caution relates to the necessarily limited nature of collected information, as

this indicator encompasses only repeat clients and does not capture drop-outs. Thus, the exact form of interpretation shall be at the discretion of IPR and IPR keeps monitoring and validation the changes to ensure accuracy of data entry and analyst before sharing them with stakeholders.

IPR has moreover designed and implemented a “Child Labour” policy for social performance purpose. This policy aims at denying credit to clients business engaged in exploitative child labour practices. It came into effect in November 2016.

OPERATIONAL HIGHLIGHT

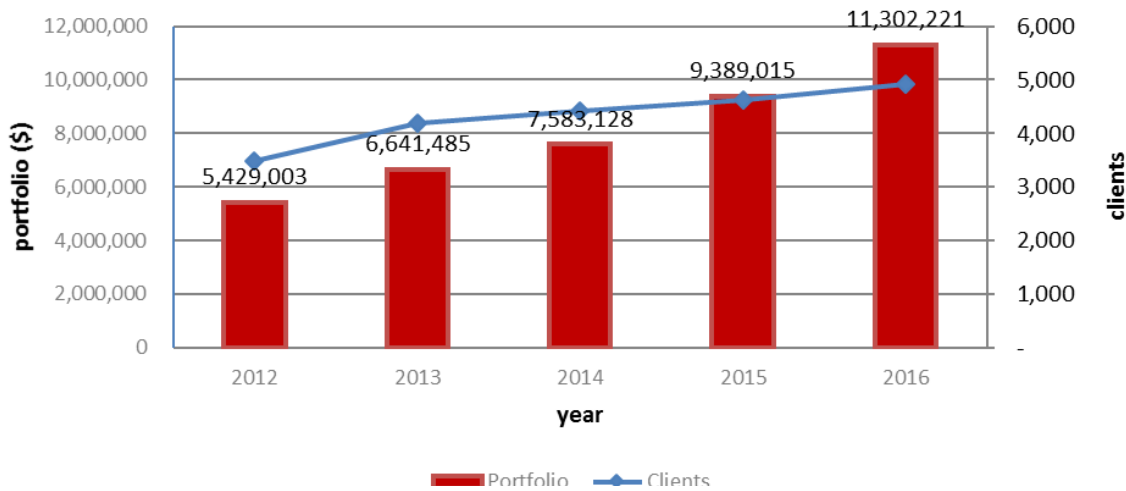
Loan Portfolio

In 2016, IPR continued its expansion both in terms of loan portfolio and number of clients. At the end of 2016, gross loan portfolio stood at \$ 11,302,211, a growth of 20.4% over the year, while the number of clients reached 4,925, a growth of 6.4% over the year.

During the same period, outstanding loans in the

Cambodian microfinance sector as a whole grew by 20.1% from \$ 4 billion to \$ 4.8 billion, the same pace as IPR, while the number of clients increased by only 1.3% from 2.34 million to 2.37 million. IPR can be said to have outperformed the sector average.

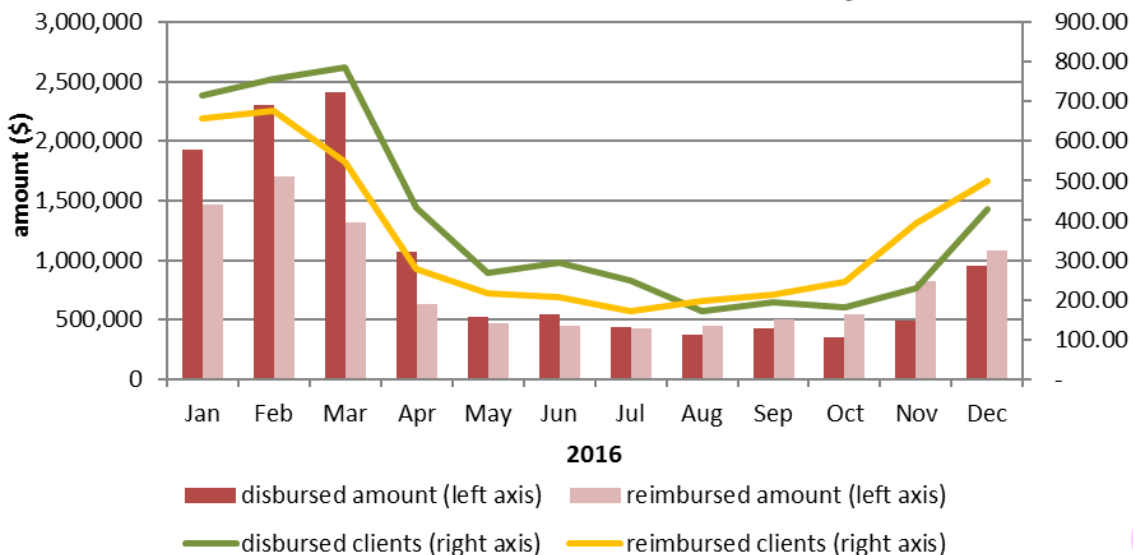
Gross loan portfolio and Number of clients



In terms of disbursement, IPR allocated \$ 11.8 million to its clients during 2016. On the other hand, reimbursement attained \$ 9.9 million. As a rural-based MFI focusing on agriculture, both disbursement and reimbursement display a seasonal pattern, attaining a high especially in the months between January and March. As a matter of fact,

IPR's expansion was not continuous throughout the year, but grew until July and declined afterwards. At the end of July 2016, gross loan portfolio peaked at \$ 12,187,912 and the number of clients peaked at 5,320. Among IPR's clients, 47% were rice farmers and 37% were cassava farmers at the end of 2016.

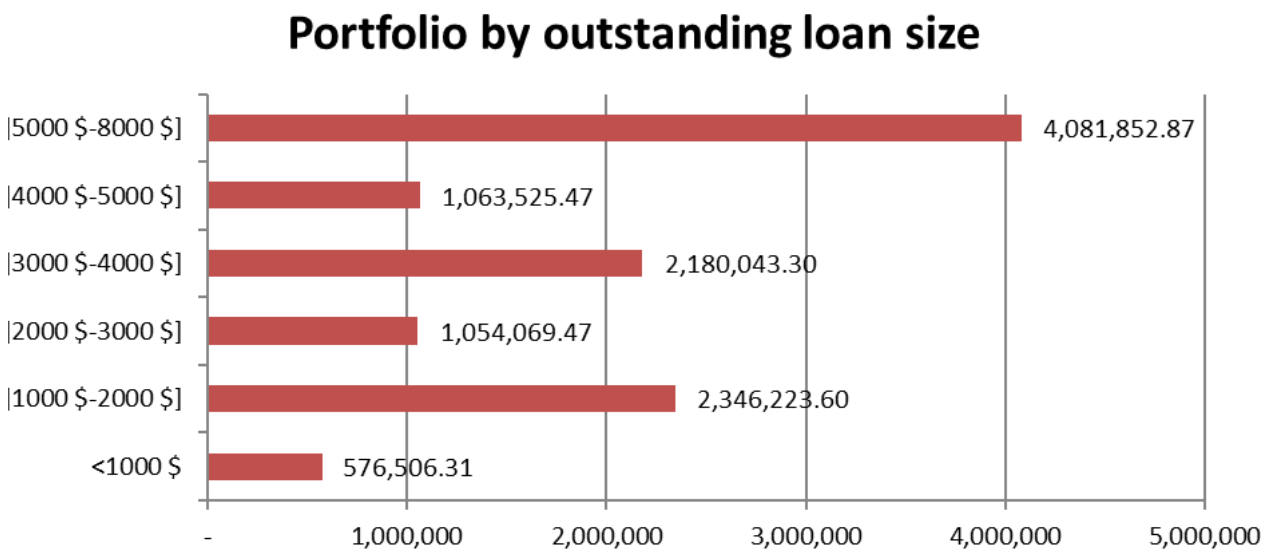
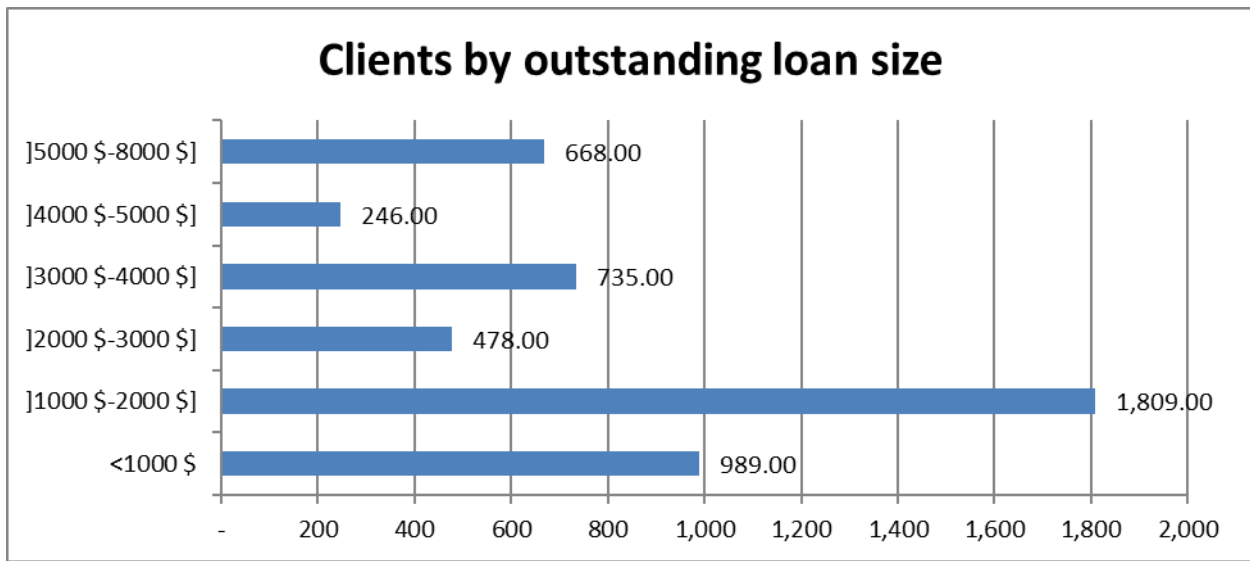
Disbursement and Reimbursement by month



OPERATIONAL HIGHLIGHT

During 2016, IPR's growth took place foremost in the branch of Phnom Prek in Battambang province. As this branch tends to disburse larger loans than other IPR branches due to the characteristics of its clients and their bigger financial needs, its preponderance in IPR's growth has led to a jump in IPR's average disbursed loan size from \$ 2,168

in 2015 to \$ 2,511 in 2016. A breakdown of IPR's portfolio by outstanding loan size shows that at the end of 2016 the largest number of its clients had a loan amount between \$ 1,000 and \$ 2,000 outstanding, while in aggregate the loans with an outstanding loan size between \$5,000 and \$8,000 constitute the biggest part of IPR's portfolio.



OPERATIONAL HIGHLIGHT

Loan Portfolio Quality

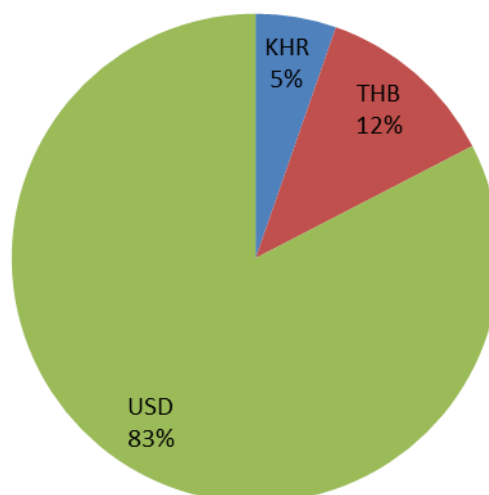
In terms of portfolio quality, IPR's non-performing loans has slightly increased along with the sector's. The standard measure, portfolio at risk more than 30 days (PAR 30), stood at 1.87% at the end of 2016. Compared to the Cambodian micro-finance sector, whose PAR 30 ratio inclusive of rescheduled loans reached 1.58% in the same period, IPR's performance is however a little worse.

In terms of currency, IPR's portfolio, already dominated by its accounting currency the US dollar, continued to shift in its favour in 2016 due to investors' requirement. From 73% of total portfolio at the end of 2015, the proportion of US dollar expanded further to 83% at the end of 2016. The proportions of Thai baht, the second-ranked currency, and of Khmer riel consequently fell to 12% and 5% respectively. For IPR, Thai baht plays a

larger role than Khmer riel because IPR operates mainly in the Northwest of the country, which trades heavily with Thailand.

In terms of duration, IPR's portfolio underwent a significant shift towards longer maturities in 2016. Short term loans with an original maturity of up to one year comprised 63% of IPR's portfolio at the end of 2015, but only 40% at the end of 2016. Conversely, long term loans with an original maturity between one and three years made up 37% of IPR's portfolio at the end of 2015, but 60% one year later. As there is a time lag for patterns in disbursement to appear in outstanding portfolio, the proportion of longer maturities in disbursement has been even higher than 60% during 2016. This shift, although in parallel with an increase in average disbursed loan size and responding to client needs, merits closer monitoring.

Outstanding portfolio by currency at end 2016

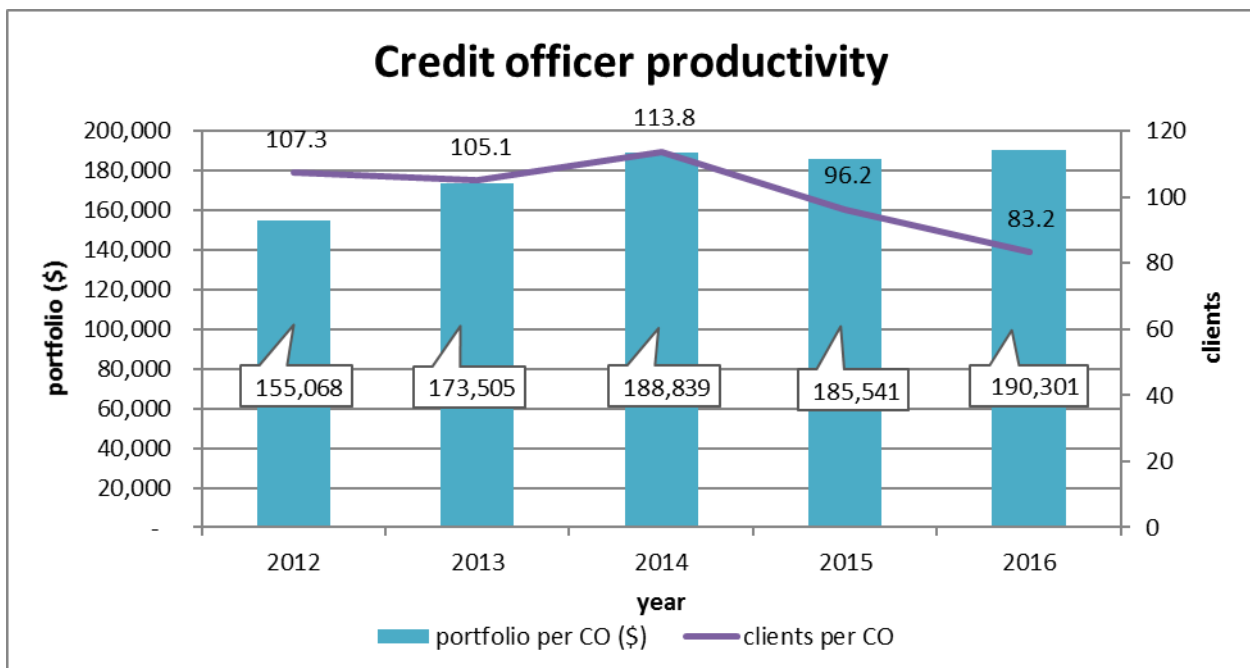


OPERATIONAL HIGHLIGHT

Productivity

During 2016, the number of credit officers has remained stable in a narrow range of between 59 and 63. The average portfolio size per CO reached a record high of \$ 190,301, but the average number of clients per CO continued its declining trend from the previous year and fell again to 83.

Productivity has thus improved from the point of view of portfolio size, but has deteriorated from the point of view of managed number of clients. The chart below shows the evolution of credit officer productivity as yearly averages.



- The annual figures are calculated as the average of monthly values in the year

Internally, IPR created a second Credit Manager position in Operations department in August 2016 to respond to the growing workload of monitoring and guiding the branches. During the year, several loan forms have been updated, in particular the loan and guarantor contract, the repayment schedule, the loan assessment and approval form

and the payment voucher. The reporting on problem loans (overdue and written-off loans) has been strengthened. And the approval of loan up to a size of \$ 1,500 or equivalent in THB or KHR has been devolved to the district branch manager and main branch deputy manager.

FINANCIAL HIGHLIGHT

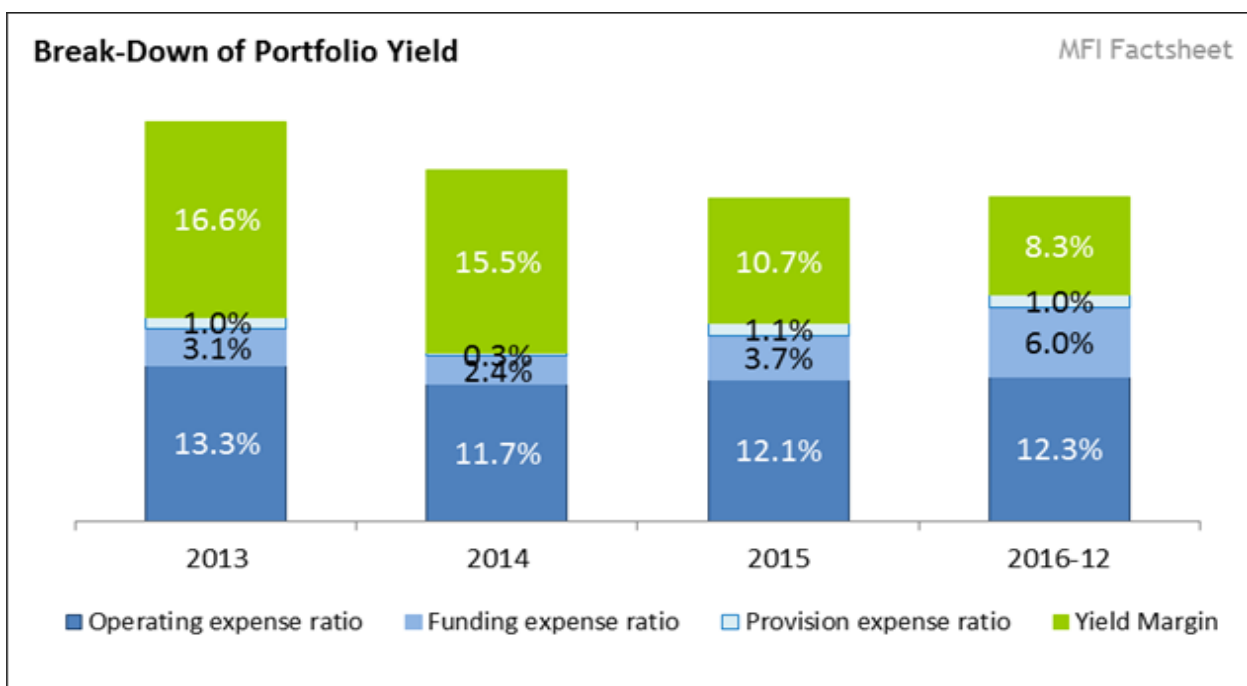
Sustainability and Profitability

Indicators	2016	2015	Change	Change %
Net profit	671,744	666,503	5,241	0.8%
Yield on portfolio	27.6%	27.5%	0.1%	0.4%
Cost of fund ratio	6.0%	3.7%	2.3%	61.1%
Operating expense ratio	12.3%	12.1%	0.2%	2.0%
Provision expense ratio	1.0%	1.1%	0.0%	(2.7%)
Return on assets (ROA)	5.2%	6.1%	(0.9%)	(15.1%)
Return on equity (ROE)	9.6%	9.6%	0.0%	0.0%

Net profit for the year rose by 0.8% while portfolio yield increased 0.4% and provision expense decreased 2.7%. Cost of fund has increased dramatically due to the increase of leverage. Compare to last year, operating expense has increased 2% which resulted from the increase of staff compensation, training and operational strengthening and monitoring activities.

If compare to last year ROA has decreased 15% from 6.1% to 5.2%. This rate however is still high if compare to the whole industry in Cambodia at the rate of 3.5%. ROE is as same as last year but it is very low it compares to the whole industry in Cambodia at the rate of 16.4%.

IPR profitability ratio is stable; it's shown the efficiency of the company that has not changed.



¹Figure from NBC annual report 2016.

²Figure from NBC annual report 2016.

FINANCIAL HIGHLIGHT

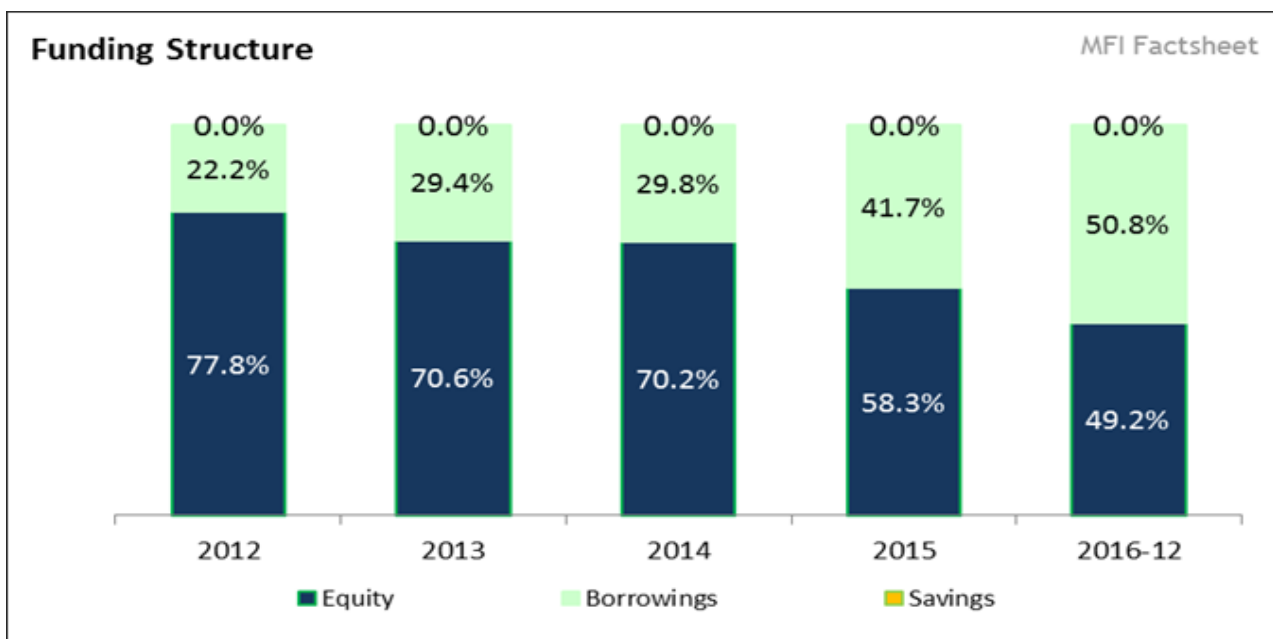
Assets, Liabilities and Equity

The increase of total asset by 8% is mainly due to the increase of borrowed fund, and the leverage ratio of the institution rose to 1.0 time; this ratio is still very low compare to larger MFIs in Cambodia.

From the start-up of the company, IPR's shareholders have never withdrawn any dividend aiming to grow the loan outstanding. In 2016 ,however, USD 1.3 million of dividend was distributed for the first time which resulted to decrease of total equity by 9%.

Indicator	2016	2015	Change	Change %
Total assets	13,525,841	12,479,090	1,046,752	8%
Total liabilities	6,297,150	4,611,961	1,685,188	37%
Total equity	6,660,722	7,288,981	(628,259)	-9%

Five year's evolution of assets, liabilities and equity



FINANCIAL HIGHLIGHT

Borrowings

IPR has received debt financing from international funding institutions, local banks and individuals as mentioned in the table below. In 2016, IPR has received additional fund from **Oikocredit**, a co-operative society organized under the law of Netherlands.

IPR builds good relationship with existing lenders such as **Stichting Hivos-Triodos Fonds, Triple Jump Innovation Fund B.V, STICHTING OXFAM NOVIB** duly represented by **Triple-Jump B.V, LMDF, Phillip bank** and individual lenders.

As of 31 December 2016, IPR had an outstanding borrowing balance with the following lenders:

Institution/Lenders	2016	2015
Luxembourg Microfinance and Development Fund	\$ 798,572	\$ 944,444
Hivos-Triodos Fonds	\$ 2,000,000	\$ 1,500,000
Triple Jump B.V.	\$ 2,021,911	\$ 1,500,850
Oikocredit	\$ 500,000	-
Phillip Bank	\$ 416,667	\$ 166,667
Mr. Hsu Ming-Yee	\$ 320,000	\$ 320,000
Ms. Lin Chong-Lan	\$ 180,000	\$ 180,000
Mr. Mak Sarun	\$ 60,000	-
Total	\$ 6,297,150	\$ 4,611,961

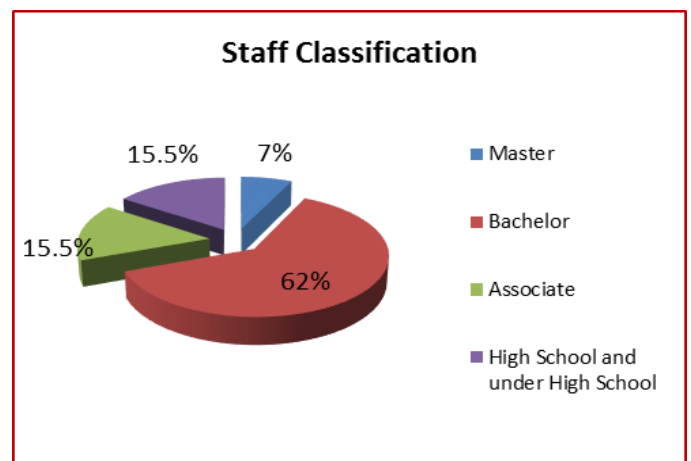
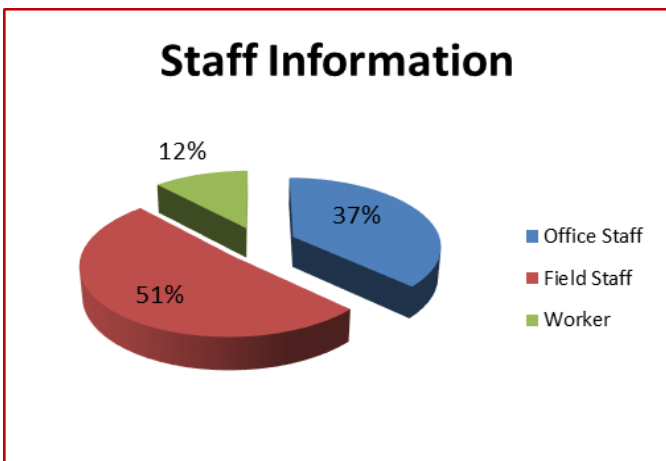
Based on IPR's three-year business plan, IPR needs additional debt financing with lower interest rate for the following year 2017, 2018 and 2019 to support its credit operations and growing business.

STAFF AND CAPACITY BUILDING

Staff Information

At the end of 2016, IPR counted 143 employees, compared to 135 at the end of 2015, an increase of 6%. 37% of total employees were office staff, 51% field staff, while 12% were workers. Female employee represented 22% of total staff, mostly are

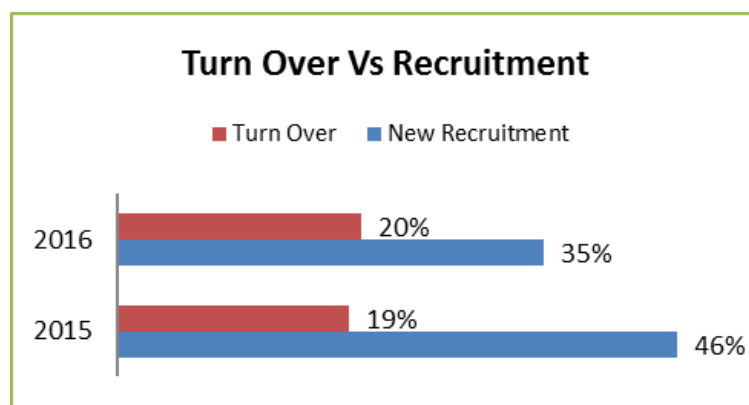
office-based. Regarding staff education, master degree accounted for 7% of the total, while bachelor degree, associate, and high school and below were 62%, 15.5% and 15.5% respectively. Overall, IPR staff show a good level of education.



Recruitment vs. Turn Over

In 2016, 51 new employees joined the company, amounting to 35% of total staff at the end 2016. On the other hand, 30 employees left the company during the year; the number corresponds to 20% of

the total at the end of 2016. Most of the resigned staff left IPR to other MFIs for career development and higher benefits, while others left to run their own business.



Staff Training

Capacity building is very important for all levels of staff. A large number of internal and external trainings and workshops were provided in 2016 to IPR

staff in order to strengthen their competence and skills and to improve their performance for the company.

STAFF AND CAPACITY BUILDING

Trainings and workshops in 2016

Internal Trainings

- Orientation and Training for COs (2times)
- Orientation and Training for BA/BT (1time)

External Trainings and Workshops

1. Productivity Improvement
2. Tax on Profit, Declaration
3. CBC Working Committee
4. CBC Public Training
5. Implementation of CIFRS for SME
6. Internal Control, Audit , & Managing key Risk
7. Fortigate Level I
8. Fern software User Group 2016
9. Foundation Masterclass on Compensation Statistics
10. Over-indebtedness
11. Financial Inclusive Forum
12. ASEAN Eco Commu & Trade policy review for biz
13. 2016 Microsoft Licensing Update
14. Annual Microfinance Conference
15. Online Trading Platform (NBCOTO)
16. The Development of Cambodia Minimum Wage Law
17. Credit Risk Management



INTERNAL AUDIT AND CONTROL



Internal Audit Department has four staff, including one head of internal audit (HOA) and three operational auditors (OA). The operational auditors are assigned in different audit areas.

In quarter two 2016, Internal Audit Department started using a system called “Internal Audit Worksheet and Rating System”. The new Internal Audit Worksheet and Rating System defined specific types of risks to be assessed in field of Loan Management, Finance, Human Resources and Information Technology. The new system allows auditors to input the score of each risk and the impact automatically displays following its rating. The recommendations of findings moreover are already set following the impacts. The audit report with recommendations on each of the findings is produced right after the audit process done. Objections or verifications are discussed among auditors and branch’s relevant staff.

In 2016, the department conducted three audits for each branch office. The result shows that risk score and rating for each office is having “**supplementary Issue**”, while “**Issue**” is found in credit management such as: loan assessment (income, expense, debt and collateral status), fol-

lowing up clients after loan disbursement and filling client’s information in loan contract or loan form. In response to these gaps, Operations Department will develop collateral assessment guideline; develop farming cost and family expenses guideline and provide coaching to credit officer, deputy branch manager, sub branch manager, branch manager and senior branch manager to strengthen loan assessment.

Part of risk monitoring, the department as the secretary of Risk Committee regularly sent the risk limit and risk registration to the committee in monthly and quarterly basic. The committee reviews and comments for improvement if necessary. In 2016, Internal Audit Department organized four times meeting, two with Audit Committee to discuss findings and the following year work plan and another two times meeting were conducted with Risk Committee.

Last but not least, Head of internal audit and all operational auditor participated external training on “Internal control, Audit Management key risk in MFI” prepared by CMA.



INFORMATION TECHNOLOGY HIGHLIGHT

Establishing of IT department

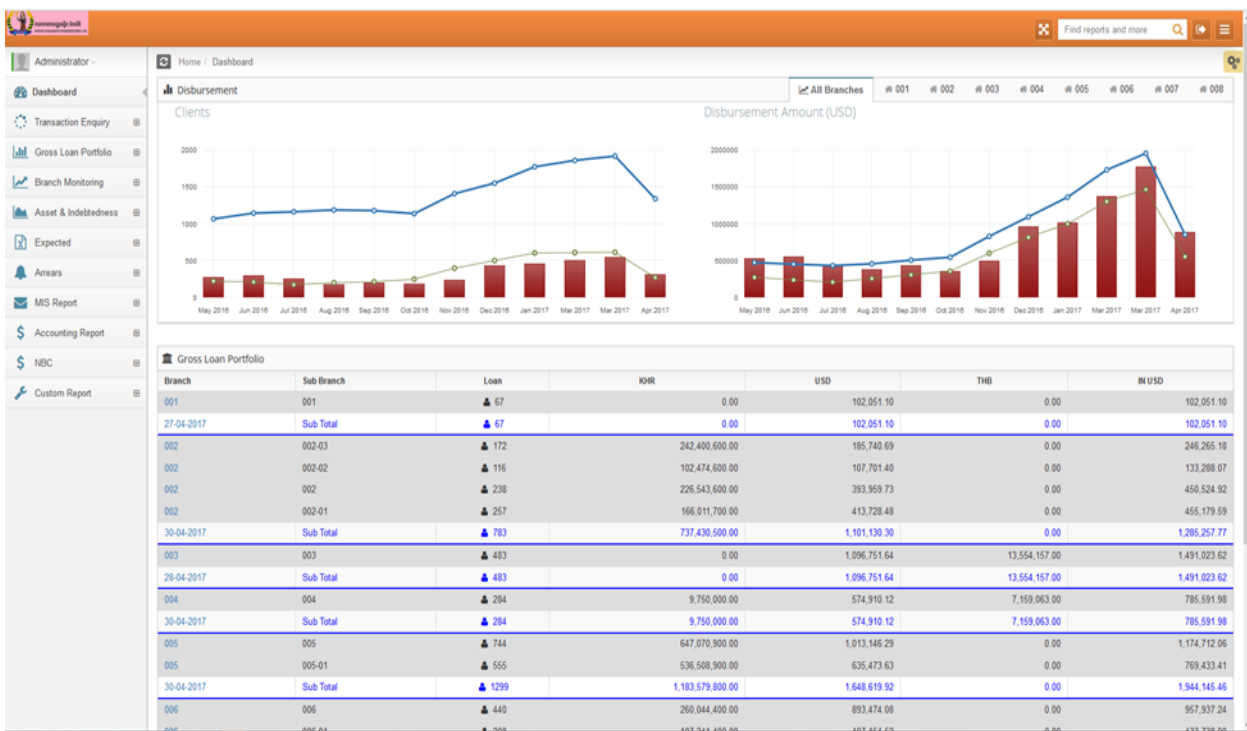
The IT Department isolated from Finance Department in January 2016 in order to enhance the operation of information and communication technology. The new established IT department has

three sections including Software Development, Management Information System, and Network and Security.

Dashboard Report Development

In 2016, IT department developed an end-user report that can assist the management team and re-

lated staff to view and check report related to branch and company performance.



Fully Abacus adoption

With strong commitment of IT team, IPR finally dropped Loan List Spreadsheets at the end of Q1 2016 and QuickBooks at the end of Q4 2016.

Currently loan management and accounting modules of the Abacus are fully functional.

**EXTRACTS FROM 2016
AUDITED FINANCIAL
STATEMENTS**

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

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report together with the audited financial statements of Intean Poalroath Rongroeurng Ltd. ("the Company") for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

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

RESULTS AND DIVIDENDS

The financial performance of the Company for the year ended 31 December 2016 is set out in the income statement on page 9 of the financial statements.

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

RESERVES AND PROVISIONS

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

SHARE CAPITAL

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

BAD AND DOUBTFUL LOANS

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

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

ASSETS

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

REPORT OF THE BOARD OF DIRECTORS

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The Company's financial performance for the year ended 31 December 2016 was not, in the opinion of the Board of Directors, materially affected by any items, transactions or events of a material and unusual nature.

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of Board of Directors, to substantially affect the financial performance of the Company for the year in which this report is made.

SIGNIFICANT EVENTS

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

REPORT OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS

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

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

DIRECTORS' INTERESTS

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

	31 December 2016		31 December 2015	
	Holding %	Number of shares of US\$119 each	Holding %	Number of shares of US\$119 each
Oknha Phou Puy	100%	25,955	100%	25,955

DIRECTORS' BENEFITS

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

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

BOARD OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible to ensure that the financial statements are properly drawn up, so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ii) comply with the disclosure requirements of Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- v) effectively control and direct the Company and is involved in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

REPORT OF THE BOARD OF DIRECTORS

STATEMENT OF THE BOARD OF DIRECTORS

The accompanying financial statements, which present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,



Oknha Phou Puy
Chairman

Phnom Penh, Kingdom of Cambodia Date:

REPORT OF THE INDEPENDENT AUDITORS

To the Shareholder of Intean Poalroath Rongroeurng Ltd.

Opinion

We have audited the financial statements of Intean Poalroath Rongroeurng Ltd. (“the Company”), which comprise the balance sheet as at 31 December 2016, and the income statement, the statement of changes in shareholder’s equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory as set out on pages 8 to 48

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Intean Poalroath Rongroeurng Ltd. as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia.

Basis for opinion

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

Other matters

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

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

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

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

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

REPORT OF THE INDEPENDENT AUDITORS

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.

REPORT OF THE INDEPENDENT AUDITORS

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For Deloitte (Cambodia) Co., Ltd.



Khoy Kimleng, Director

Phnom Penh, Kingdom of Cambodia Date:

BALANCE SHEET

AS AT 31 DECEMBER 2016

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

INCOME STATEMENT

For the year ended 31 DECEMBER 2016

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

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the year ended 31 DECEMBER 2016

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

STATEMENT OF CASH FLOWS

For the year ended 31 DECEMBER 2016

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

APPENDIX
NOTES ON COMPLIANCE WITH THE CENTRAL
BANKS' PRASKAS

COMPLIANCE WITH THE CENTRAL BANKS' PRASKAS

1. LIMITATION

This report on key financial information is prepared by the management of Intean Poalroath Rongroeurng Ltd. ("the Company"), solely for the use of the National Bank of Cambodia ("NBC").

The computations of the key financial information according to the definitions of the relevant regulations and guidelines issued by the NBC, set out in the respective paragraphs as indicated below form an integral part of and should be referred to together with the attached schedules.

2. PRESENTATION IN KHMER RIEL

Translations of United States Dollars ("US\$") into Khmer Riel ("Riel") are included in the report on key financial information solely for compliance with the Prakas No. B7-07-164 dated 13 December 2007 of the National Bank of Cambodia relating to the preparation and presentation of the report on key financial information and have been made using the prescribed official exchange rate of US\$ 1 to Riel 4,037 published by the NBC.

3. MINIMUM CAPITAL REQUIREMENT, Prakas No. B7-00-06

The NBC's Prakas No. B7-00-06 on the licensing of microfinance institutions requires that the microfinance institutions shall have a minimum registered capital of Riel 250 million (approximately US\$62,500).

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.

As at 31 December 2016, the Company had registered capital of US\$ 3,088,645.

4. NET WORTH, Prakas No. B7-07-132

The calculation of net worth shall be taken into account in calculating prudential and other ratios.

The Company's net worth as at 31 December 2016 amounted to US\$6,660,727 as computed in Schedule 1.

5. SOLVENCY RATIO, Prakas No. B7-07-133

The Company is required by this Prakas to maintain a solvency ratio of at least 15%.

As at 31 December 2016, the Company maintained a solvency ratio of 50%, representing the Company's net worth as a percentage of its risk-weighted assets and off-balance sheet items.

The solvency ratio calculation is detailed in Schedule 2.

COMPLIANCE WITH THE CENTRAL BANKS' PRASKAS

6. LIQUIDITY RATIO, Prakas No. B7-02-48

The Company is required by this Prakas to maintain a liquidity ratio of at least 100%.

As at 31 December 2016, the Company's Liquidity Ratio was not applicable as the Company has no voluntary savings from the public.

The liquidity ratio calculation is detailed in Schedule 3.

7. FOREIGN CURRENCY TRANSACTIONS, Prakas No. B7-00-50

The Company transacts its business primarily in US\$ and maintains its books of accounts in US\$. Accordingly, all currencies other than US\$ are considered as foreign currencies.

Balance sheet items

As at 31 December 2016, in accordance with Prakas No. B7-00-50, all assets and liabilities of the Company that were denominated in foreign currencies were translated using the year end exchange rate.

Off-balance sheet items

The Company is required to record off-balance sheet items from the commitments arising from the purchase and sale of foreign currencies relating to spot transactions (with a completion period of two days) and forward foreign exchange transactions.

As at 31 December 2016, the Company had no commitments of these natures.

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

Net open position in foreign currencies in either any foreign currency or overall net open position in all foreign currencies, whether long or short, shall not exceed 20% of Company's regulatory net worth.

As at 31 December 2016, the Company's net open position were 9.50% long for Thai Baht and 15.23% long for Khmer Riel of the Company's net worth.

The net open position calculation is detailed in Schedule 4.

9. LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO Prakas No. B7-02-186

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

Loan term of one year or less

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

COMPLIANCE WITH THE CENTRAL BANKS' PRASKAS

Loan term of more than one year

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

Mandatory provisions on the loans classified as follows:

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

As at 31 December 2016, the specific provision provided by the Company was US\$75,444.

Loan classification, provision and delinquency ratio calculation are detailed in Schedule 5.

SCHEDULE 1: NET WORTH RATIO

As at 31 DECEMBER 2016

	US\$	Riel' 000
I- Sub-total A : Items to be added		
- Capital or endowment	3,088,645	12,468,860
- Reserve, other than revaluation reserves	-	-
- Premium related to capital (share premiums)	-	-
- Provision for general banking risks, with the prior agreement of the NBC	-	-
- Retained earnings	2,900,339	11,708,669
- Audited net profit for the latest financial year	671,743	2,711,826
- Other items approved by the National Bank of Cambodia	-	-
	<u>6,660,727</u>	<u>26,889,355</u>
II- Sub-total B : Items to be deducted		
- For shareholders, directors, managers and their next of kind		
> Unpaid portion of capital	-	-
> Advances, loans, security and the agreement of the persons concerned as defined above	-	-
- Holding of own shares at their book value	-	-
- Accumulated losses	-	-
- Formation expenses	-	-
- Losses determined on dates other than the end of the annual accounting period (including provisions to be made for doubtful debt and securities)	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
III- Total C : BASE NET WORTH = A – B	<u>6,660,727</u>	<u>26,889,355</u>
IV- Sub-total D : Items to be added		
- Revaluation reserves, with the prior agreement of the NBC	-	-
- Subordinated debt, with the prior agreement of the NBC, up to 100% of base net worth	-	-
- Other items, with the prior agreement of the NBC, could be included in the calculation of net worth and shall not be more than base net worth	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
V- Sub-total E : Items to be deducted		
- Equity participation in banking and financial institutions	-	-
- Other items	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
VI- Total F: TOTAL NET WORTH = C + D – E	<u>6,660,727</u>	<u>26,889,355</u>

SCHEDULE 2: SOLVENCY RATIO

As at 31 DECEMBER 2016

	US\$	Rie l' 000
I- Numerator (A)		
Net worth	6,660,727	26,889,355
II- Denominator (B)		
	US\$	Weighting
- Cash	86,372	0%
- Gold	-	0%
- Claims on the NBC	155,688	0%
- Assets collateralized by deposits	-	0%
- Claims on sovereigns rated AAA to AA-	-	0%
- Claims on sovereigns rated A+ to A-	-	20%
- Claims on banks rated AAA to AA-	-	20%
- Claims on sovereigns rated BBB to BBB-	-	50%
- Claims on banks rated A+ to A-	-	50%
- All other assets (*)	13,283,786	100%
- All off-balance sheet items	-	100%
	<u>13,525,846</u>	<u>100%</u>
	13,283,786	53,626,644
	<u>50%</u>	<u>50%</u>

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

SCHEDULE 3: LIQUIDITY RATIO

As at 31 DECEMBER 2016

	US\$	Rie l' 000
I- Numerator: LIQUID ASSETS (A)		
Cash on hand	86,372	348,684
Balances with the National Bank of Cambodia	155,688	628,512
Balances with other banks	<u>1,580,967</u>	<u>6,382,364</u>
	<u>1,823,027</u>	<u>7,359,560</u>
<i>Less:</i>		
- Amounts owed to NBC	-	-
- Amounts owed to other banks	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Net liquidity	<u>1,823,027</u>	<u>7,359,560</u>
<i>Plus:</i>		
- Portion of loans maturing in less than one month	<u>471,025</u>	<u>1,901,526</u>
LIQUID ASSETS	<u>2,294,052</u>	<u>9,261,086</u>
II- Denominator: ADJUSTED AMOUNT OF DEPOSITS (B)		
	US\$	%
Voluntary savings	-	25%
	<u>-</u>	<u>-</u>
III- LIQUIDITY RATIO (A/B)	<u>N/A</u>	<u>N/A</u>

SCHEDULE 4: NET OPEN POSITION

As at 31 DECEMBER 2016

Currency	Liabilities		Net open position (NOP) US\$	NOP/ Net worth %	Limit %
	Assets US\$	and equity US\$			
USD	11,003,947	12,651,051	(1,647,104)	-24.79%	20%
KHR	1,498,567	866,082	632,485	9.50%	20%
THB	1,023,332	8,713	1,014,619	15.23%	20%
Total	<u>13,525,846</u>	<u>13,525,846</u>	<u>-</u>		
Net worth			<u>6,660,727</u>		

SCHEDULE 5: CLASSIFICATION, PROVISING, AND DELINQUENCY RATIO

As at 31 DECEMBER 2016

	Amount US\$	Rate %	Specific Provision US\$	Specific Provision Rie l' 000
Loan classification				
1-Loans of one year or less				
1-1 Standard	4,443,644	0%	-	-
1-2 Substandard Past Due ≥ 30 days	4,784	10%	478	1,930
1-3 Doubtful Past Due ≥ 60 days	3,229	30%	969	3,912
1-4 Loss Past Due ≥ 90 days	<u>15,051</u>	100%	<u>15,051</u>	<u>60,761</u>
Sub-Total 1	<u>4,466,707</u>		<u>16,498</u>	<u>66,603</u>
2-Loans of more than one year				
2-1 Standard	6,647,265	0%	-	-
2-2 Substandard Past Due ≥ 30 days	108,338	10%	10,834	43,737
2-3 Doubtful Past Due ≥ 180 days	45,427	30%	13,628	55,016
2-4 Loss Past Due ≥ 360 days	<u>34,485</u>	100%	<u>34,484</u>	<u>139,211</u>
Sub-Total 2	6,835,514		58,946	237,964
Grand total 1+2	<u>11,302,221</u>		<u>75,444</u>	<u>304,567</u>
Specific provision recorded by the Company			<u>75,444</u>	<u>304,567</u>
Differences				
All loan past due ≥ 30 days (A)			211,313	853,070
Loan outstanding (B)			<u>11,302,221</u>	<u>45,627,066</u>
Delinquency ratio (A/B)			1.87%	1.87%

HEAD OFFICE

**#779 A, Kampuchea Kraom Blvd, Sangkat Tuek Laak I,
Khan Toul Kouk, Phnom Penh, Cambodia**

Tel: 023 990 237/ 023 63 64 125

Email: info@iprmfi.com

Website: www.iprmfi.com