



# ANNUAL REPORT 2006

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# 1. CCSF AT A GLANCE

## 1.1 Legal Status:

CCSF is an apex community based micro-finance organization of consolidated numbers of Community Based Micro-Finance Organizations (CBMIFOs), which was previously known as Small Economic Activity Development Project of CARE Cambodia, financially supported by AusAID through CARE Australia. CCSF is newly transformed from the project of CARE Cambodia on 1 January 2003, and has been officially registered under Ministry of Interior on 6 December 2002, and National bank of Cambodia as a rural credit operator on 03/March/ 2003. A renewal certificate of NBC has been issued on 27 June 2007. CCSF is also an affiliate member of Association of Asian Confederation of Credit Unions (ACCU) Approved by ACCU Annual General Meeting in Malaysia .

CCSF is a pioneer of Credit Union promotion in Cambodia respecting nine operating principles of the Credit Unions through promotion of establishment of CBMIFOs in 13 districts of two provinces in the northwestern region of the country, Battambang and Banteay Meanchey provinces.

## VISION:

A sustainable Community Based Micro-Finance Organization involved in poverty alleviation.

## MISSION:

To provide affordable financial services to the communities especially low-income families, to improve their living standard.



## 1.2 OBJECTIVES:

- Educate and motivate people about the importance of savings and credit and help them to be self-reliant in development.
- Promote, establish and strengthen self-managed savings and credit banks.
- Support, organize and conduct various types of training, education campaigns, seminars, workshops, etc. with a view to developing human resources and local leadership as needed.
- Provide necessary support and technical guidance to its member societies and potential new groups and enhancing their resources and development capabilities.
- Undertake and facilitate other necessary promotional functions for the benefit and development of the savings and credit groups/societies.
- Facilitate and support the groups to conduct various self-organized income generating activities.
- Provide linkages between the savings and credit union movement and other line agencies and coordinate the activities with them as appropriate.

## 2. OPERATIONAL ACHIEVEMENT

### 2.1 CBMIFO level:

#### **2.1.1 Building CBMIFO's Directors & Management Competencies:**

The CBMIFO growth is divided into 4 stages: 1) establishment stage; 2) Development stage; 3) consolidation stage; and 4) expansion stage. To support the development growth of the CBMIFOs, two levels of training have been provided to member organizations: 1) basic training, and 2) advanced training.

At the establishment stage, overall management and governance of the CBMIFOs is done through voluntarism<sup>1</sup>. At the development stage, part time employees are recruited to manage day-to-day operation, and at the consolidation stage full time employees are required<sup>2</sup>.

At the reporting period there are CBMIFOs at different stages as listed belows:

- first stage: 5 CBMIFOs
- Second stage: 9 CBMIFOs
- Third stage: 22 CBMIFOs

Although the CBMIFOs are at different stages, however, basic training on awareness of importance of savings is on-going provided in the field by CCSF Member Service Officers (MSOs) to the new ordinary members, committee members, and local authority, including village commune, and district chiefs, aiming at introducing importance of the savings for the rural poor and importance of being membership of the CBMIFOs.

Competencies of directors, management, and employees of the CBMIFOs are the key of success and sustainability of the CBMIFOs. Thus, advanced training is designed for CBMIFOs at development and further stages. The objectives of the advanced training are to build and advance the capacities and competencies of the directors, management, employees in management and governance of the CBMIFOs.

The advanced training is conducted, at least one course per month, in Battambang town. The average participant is expected per course is 25 persons. However, some training courses, more 25 persons have participated.

During the reporting period, there are 12 advanced training courses provided to member organizations participated by 397, among those, 187 are female. The courses are as followings:

- Advanced bookkeeping: 2 courses
- Leadership development: 4 courses
- Good loan management: 1 course
- Delinquency management & control: 3 courses
- Effective monitoring tools: 2 courses



<sup>1</sup> Please see the organizational structure enclosed in annex 2

<sup>2</sup> Please see the organizational structure enclosed in annex 3

### 2.1.2 Annual General Meeting:

The CBMIFOs held Annual General Meeting (AGM) annually. At the reporting period, there are 391 volunteers, of which 169 are female. Among those, there are 112 BoD members, 43 are female; 58 SC members, 23 are female, elected by the AGM; and 123 employees, 74 are female, are recruited.

There are 183 Credit Committee members, 91 are female, appointed by the BoD. The appointment of the CC may depend on the scope of the operation of each CBMIFO.



### 2.1.3 Merging CBMIFOs:

Small CBMIFOs are easily to manage, however, they are also easily to be vulnerable in the market place due to limited capacity to collect and mobilize member savings, which results in impossible to response to member's loan demands.

Given such situation, during the reporting period, 15 small CBMIFOs are encouraged to merge with the larger CBMIFOs, which will provide more opportunities to the members and the CBMIFOs itself to build its operational self-sufficiency.

### 2.1.4 In-country cross visit:

Newly established CBMIFOs were exposed to visit matured CBMIFOs in Battambang town, participated by 3 CCSF staff, and 28 leaders of new CBMIFOs. The objectives of the program are to build visionary leadership, exchange information and experiences on best practices and lesson learned.

CCSF has also hosted an exposure study visit for ACCU project partner to visit CU model participated by 25 SEDOC staff and leaders of saving & credit associations. Two CBMIFOs have been visited to exchange experiences, information, and to build a visionary leadership for the leaders of the promoted saving & credit associations, and SEDOC staff.

An inauguration of new office of one of the CBMIFOs "Wattanak" has been conducted, presided over by H.E. Prach Chan, Provincial Governor, participated by more than 300 attendees.



## 2.1.5 Development of Annual Operating Plan:

One day workshop has been held for each CBMIFO, participated by all BoD, Supervisory committee, credit Committee, and employees of the CBMIFOs. The workshop has been facilitated by CCSF Member Service Officers.

The objectives of the workshop are to introduce monitoring tools, PEARLS, review annual outcomes by using PEARLS performance indicators to analyze their financial situation, and develop annual operating plan. All CBMIFOs have developed Annual Operating Plan for the financial year, 1 April 2006 - 31 Mar 2007.



Prior to conduct the annual review workshop, one-day training provided to CCSF staff, aiming at introducing financial status of the sample CBMIFO, and simultaneously coaching them to facilitate the same workshop for all CBMIFOs.

## 2.2 Federation level:

### 2.2.1 Building CCSF staff competencies:

To ensure staff competency in playing advisory roles, advanced training on bookkeeping has been provided to CCSF staff.

Having bookkeeping knowledge, staff is able to conduct on-site monitoring, ensuring system and transparency is in place. Simultaneously, staff is able to identify areas, where need to be improved, as well as to conduct training assessment.



Staff also sent to abroad training/ workshop/ seminar/ exposure program organized by ACCU as followings:

- Attended regional forum/ workshop in Sri Lanka.
- Attended ACCU training and the regulatory workshop in Thailand.
- Attended exposure trip to visit Credit Union in Thailand.
- Attend BEST workshop organized by Agriterra/ACWW, in Malaysia.

### 2.2.2 Accounting & Internal system Control:

A technical specialist has been contracted to support CCSF to review the accounting matters, and conduct internal audit. With technical support of ACCU, branch accounting policy and procedures has been developed. An accounting system has also been installed, tested; and staff is trained to use the system.

### 2.2.3 Annual General Meeting:

Fourth Annual General Meeting has been conducted on 30 June 2006, participated by 35 delegates, 33 regular members and 2 affiliate members. CCSF BoD has been elected by the AGM, consists of 5 members:

- i. Mr. Pek Hoen, Chairman,
- ii. Mrs. Seng Kimyong, Vice Chairwomen,
- iii. Mr. Sopeak, Treasurer
- iv. Mrs. Chre Mom, Secretary
- v. Mrs. Kong Sarou Member



### 2.2.4 Develop Annual Operating plan:

As usual, every year CCSF has conducted a workshop to review annual outputs against its operational plan, and develop next year operating plan.

This year, CCSF has distinguish the annual review workshop by each branch and the head office, to review branch/HO outputs against its operating plan and develop branch and HO annual plan in accordance with the 3 year business plan. The workshop is participated by all branch and HO staff.

## 3. PERFORMANCE OUTPUTS

### 3.1 Geographical coverage:

The program has been replicated in another new district, Kamreang district, in Battambang province, and another district in Banteay Meanchey, Ochreuv district. During this reporting period, the program has been implemented in 357 villages, 76 communes within 12 districts of the two provinces.

#### District name in Battambang

- Sangke
- Battambang
- Banan,
- Ek Phnom
- Thmorkol,
- Bavel,
- Mong, and
- Kamreang

#### District name in Banteay Meanchey

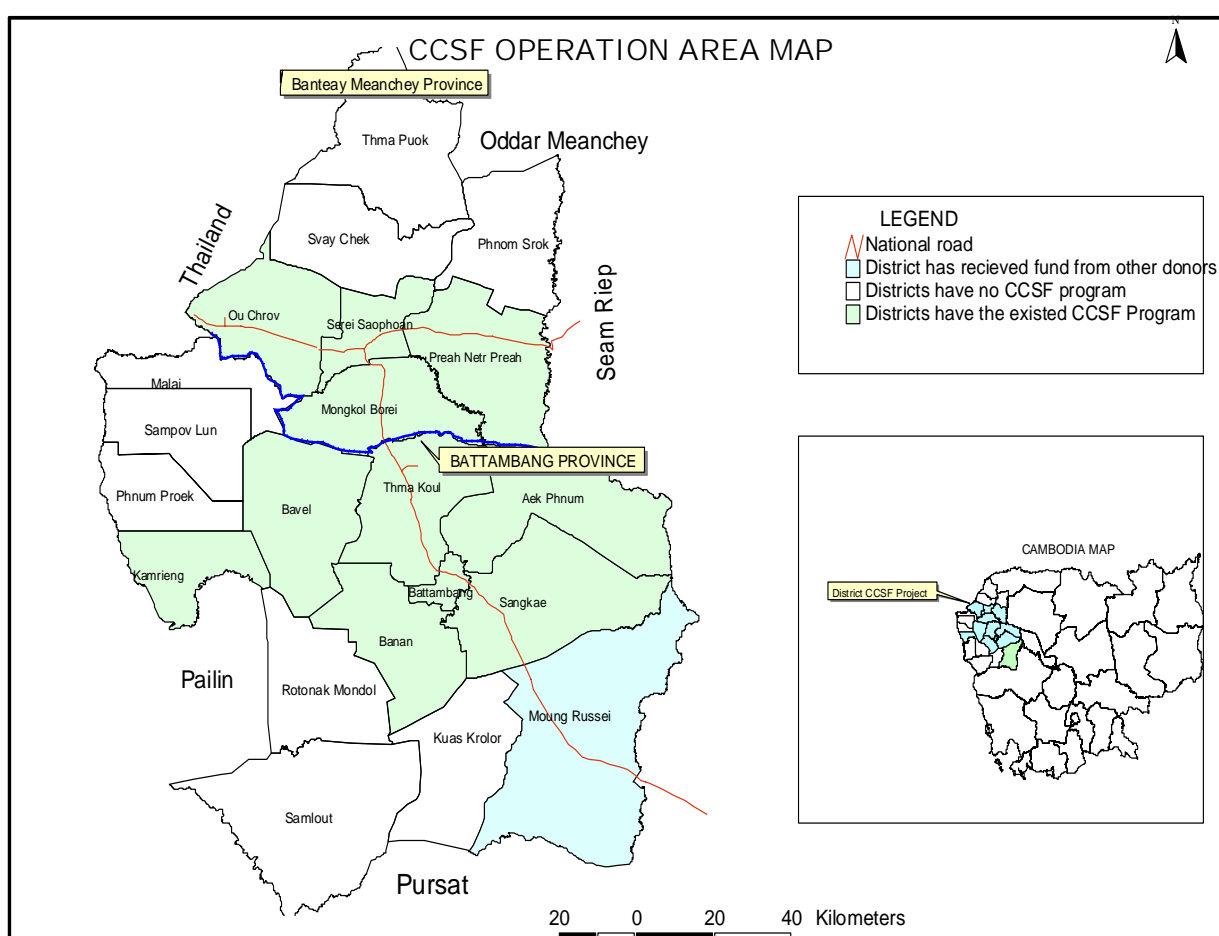
- Mongkol Borei,
- Preh Netpreh,
- Serey Sophorn, and
- Ochreuv

#### Number of village and communes:

- 21 communes,
- 83 villages

#### Number of village and communes:

- 55 communes,
- 274 villages

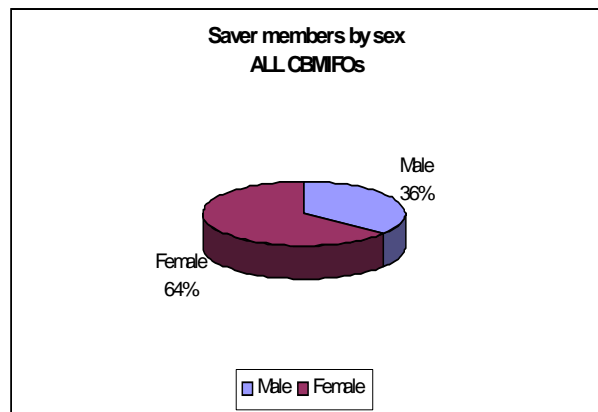
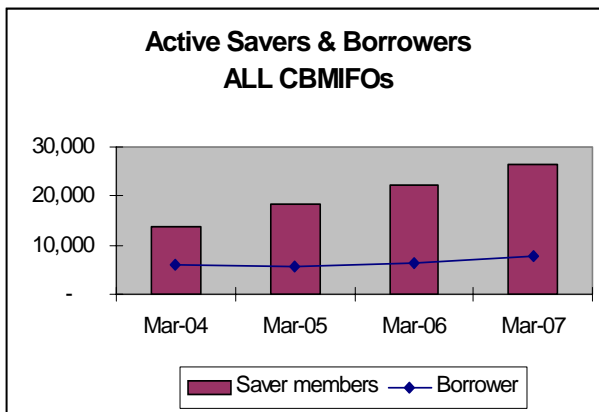




### 3.2. Outreach:

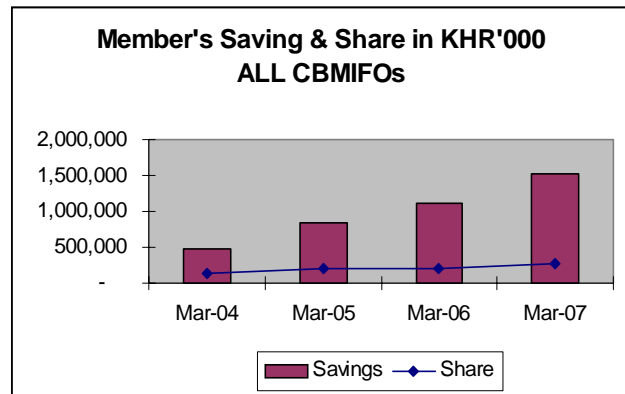
As at 31 March 2007, there are 36 active CBMIFOs with 26,333 individual active saver members, of which 16,983 members, which is 64% are female. From March 2004-March 2007, an average growth of saver membership is 24%, however, there is 18% growth in FY 2006-2007.

Among those, there are 7,769 active borrowers, of which 5,555 female, who have borrowing loans from the CBMIFOs for setting up and improving their businesses.

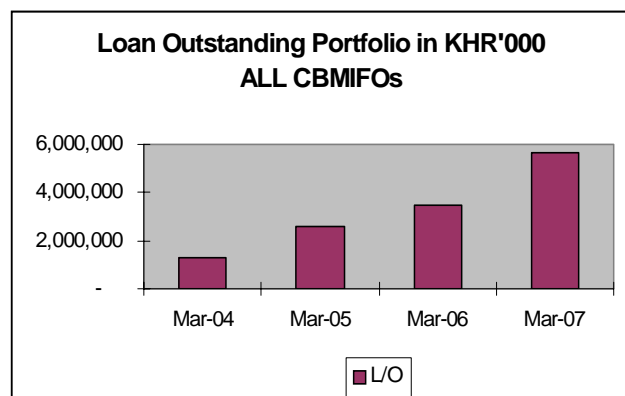


### 3.3. Portfolio of CBMIFO's movement:

CCSF is a leading organization in Cambodia in encouraging the CBMIFOs to promote and mobilize member's savings. The program has been designed in the way to encourage the poor to build savings and thrift habit, aiming at building their liquidity asset to improve the family livelihood. The CBMIFOs has provided loans to their members for the purposes of income generation, consumption loan, and emergency.



The amount of savings, share, and loan outstanding of the CBMIFO's movement grows from year to year. Compared from March 2004 to March 2007 There is an average growth of savings at 50%, share at 26%, and loan outstanding at 65%. However, in FY 2006-2007, there is 37% growth in member's savings, 29% growth in member's share, and 62% growth in loan outstanding.



### 3.4 Summary key financial highlight of CBMIFO's movement:

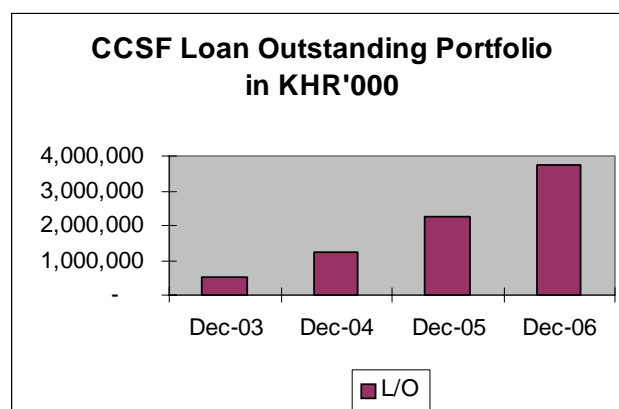
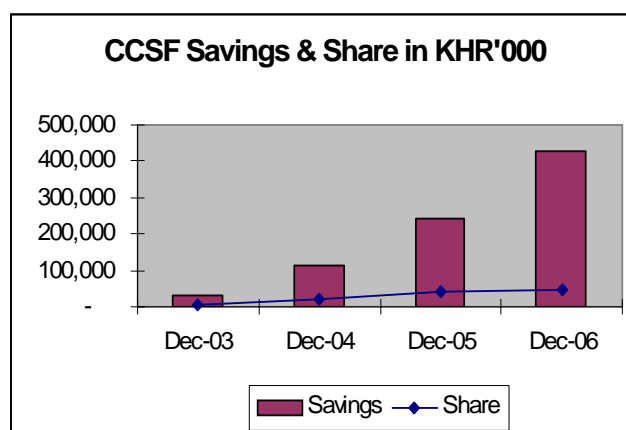
Key indicators	Mar 2007	Mar 2006	Mar 2005	Mar 2004
Number of saver members	26,333	22,314	18,262	13,909
Amount of member's savings-KHR'000	1,522,837	1,109,360	832,372	587,183
Amount of member's share-KHR'000	269,337	210,604	209,376	161,515
Value of loan outstanding balance- KHR'000	5,777,652	3,545,166	2,642,717	1,592,232
Value of loan outstanding in arrears- KHR'000	295,476	131,235	87,392	18,059
Value of payment in arrears	291,060	124,509	79,093	17,758
Number of borrowers	7,769	6,253	5,519	5,634
Delinquency ratio	5.04%	3.51%	2.99%	1.12%
Portfolio at risk	5.11%	3.70%	3.31%	1.13%
Average savings per member	57,800	49,700	45,600	42,200
Average loan amount per borrowers	743,700	567,000	478,800	282,600

### 3.5 Portfolio of the Federation:

Besides providing technical assistance to the member organizations, CCSF is also a whole sale organization to provide financial services to the members through promoting savings and providing loans to the members for the retails sale. As of 31 December 2006, CCSF has collected savings amounting 429,648,000 Riels and granted loan to the members amounting 3,755,522,000 Riels for 4 main purposes: Productivity loans 64%, Liquidity Loan 0%, Institutional loan 21%, and Individual loan 15%.

Compared from Dec 2004 to Dec 2006 there is an average growth of savings at 152%, share at 106%, and loan outstanding at 96%. However, in FY 2006, there is 78% growth of member's savings, 16% growth of member's share, and 68% growth of loan outstanding.

The delinquency ratio is 0.87%, while the portfolio at risk is 1.70%.



### 3.6 Loan Protection & Life Saving Program

Improving Social Welfare of the members is one of CCSF mechanism aiming at to alleviate poverty. Along with technical assistance and financial services provided to members, CCSF also offers another non-financial product, Loan Protection & Life Saving (LPLS) program. As of 31 December 2006, 24,490 members have availed CCSF LPLS program.

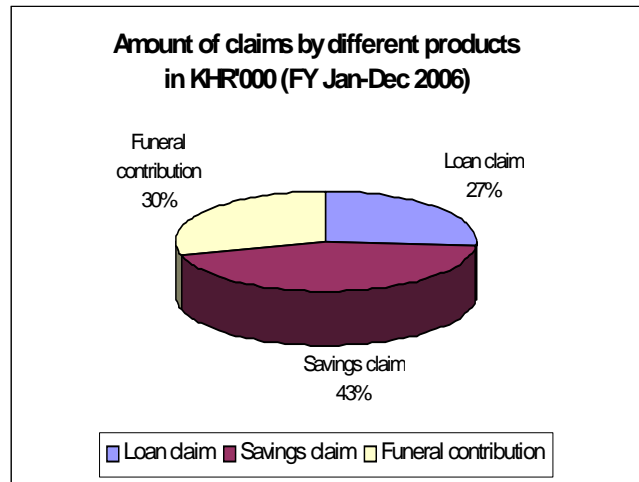
The program aims at to support the death family members to continue maintaining their livelihood, through double savings claims for saver family members or repay loan back to the CBMIFOs on behalf of the death under a slogan "debt die upon member die". This is a

special program, which is served only to CBMIFO's members. From year to year, the number of death is increasingly. The reason of death is mostly from illness and accident. In FY 2006, there is 27% loan claims, 43% savings claims, and 30% funeral contribution.

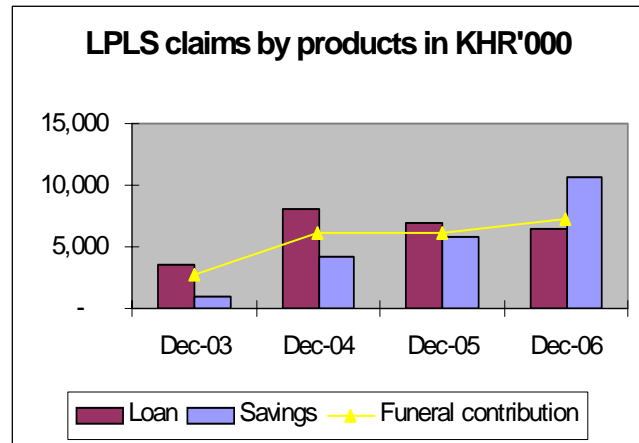
Compared from Dec 2003-Dec 2004, there is average increase of claims of all products at 62%, however, average increase by products is as below:

- Loan: 37%
- Savings: 145%
- Funeral contribution: 47%

In FY 2006, there is an average increase of claims of all products at 29%, however, there is a decrease at 6% of loan claims, increase at 81% of saving claims, and increase at 19% of funeral contributions.



To ensure better quality services provided to members as well as to mitigate possible risks of the member organizations and CCSF itself, Technical Expert from MIAN/Interpolis is invited again this year to review the outcomes results from the previous TA, conduct portfolio analysis based on current situation, and make potential recommendations to improve the LPLS program. The recommendations are considered to be undertaken in the next financial year.

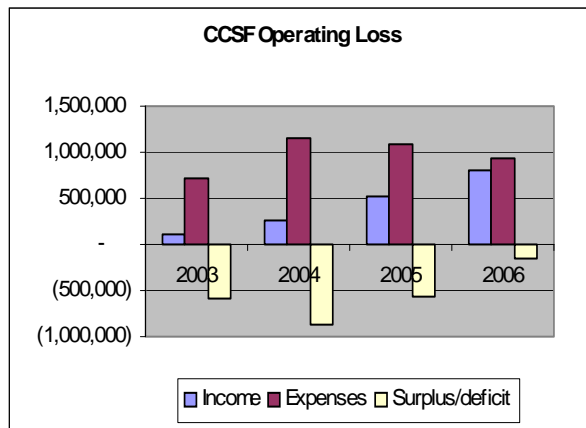


### 3.7 Summary CCSF key Operational & financial highlights

Key indicators	Dec 2006	Dec 2005	Dec 2004	Dec 2003
Number of CBMIFOs	36	38	38	38
Number of groups	1,987	1,754		
Number of LPLS members	24,490	21,196	15,595	11,051
Number of death/claims	173	154	123	68
Total amount of claims -KHR'000	24,404	18,931	18,259	7,231
Amount of loan claims-KHR'000	6,521	6,972	8,038	3,475
Amount of savings claims-KHR'000	10,663	5,878	4,120	1,006
Amount of funeral contribution-KHR'000	7,219	6,080	6,100	2,750
Amount of member's savings-KHR'000	429,648	240,822	115,316	31,158
Amount of member's share-KHR'000	46,578	40,127	20,361	6,672
Value of loan outstanding balance- KHR'000	3,755,352	2,241,444	1,209,232	516,773
Value of loan outstanding in arrears- KHR'000	63,854	72,357	38,950	
Value of payment in arrears- KHR'000	32,503	49,218	18,159	
Delinquency ratio	0.87%	2.20%	1.50%	-
Portfolio at risk ratio	1.70%	3.23%	3.22%	-
Operational Self-sufficiency ratio	85%	49%	23%	13%

### 3.8 Comparative CCSF financial highlights

Amount in KHR'000	December		Amount of variation	% of increase/decrease
	2006	2005		
Total assets	4,708,941	2,670,154	2,038,787	76%
Savings	429,648	240,822	188,826	78%
Share	46,578	40,127	6,451	16%
Loan outstanding	3,755,352	2,241,444	1,513,908	68%
Gross income	848,197	540,713	307,484	57%
Operating costs	943,836	1,062,019	(118,183)	-11%
Financial costs & provision for losses	47,573	40,537	7,036	17%
Operating losses	(143,212)	(561,843)	418,631	-75%
OSS ratio	85%	49%		36%



## 4. Monitoring & Evaluation

Simple accounting procedures have been introduced to all CBMIFOs and all employees are trained on how to test and implement it.

Regular on-site and off site monitoring has been conducted by CCSF Member Service Officers (MSO) to the member organizations ensuring that daily implementation is in compliance with the internal policy and procedures set and approved by the CBMIFOs.

Semi-Annual internal financial audit to the saving bank is conducted by CCSF internal inspection team, aiming at to identify 3 main issues: 1) ability to do bookkeeping, 2) competencies of management and directors, and 3) loan checking. Having such of system, the management of the CBMIFOs will have opportunity to identify areas, where need to be improved as well as to ensure transparency, which is a basic element of building trust among the poor.

A concept of prudential monitoring system has been introduced all member organizations through the technical workshop aims at to enable the leaders of the CBMIFOs to understand their important roles in monitoring and evaluation of the operation of their CBMIFOs.

Semi-Annual internal financial audit is also conducted at the branch level by the internal inspection team, and external audit is conducted annually by private firm.

Regular on-site and off-site monitoring of the branches is also conducted by the management.

## 5. Future Plan

To reinforce the mission, CCSF will consider to address the following major activities:

- Establish two business centers, Preh Netpreh and Kamreang
- Scale up portfolio, expand outreach, and geographic coverage within two provinces,
- Improve the administration, accounting, and reporting system,
- Revise LPLS policy and implement the new policy,
- Improve internal related policy and procedures,
- Test saving and loan data base,
- Conduct advanced training for the member organizations,
- Review internal system control,
- Conduct semi-annual internal financial inspection of all CBMIFOs and branches,
- Hold annual review workshop,
- Hold 5<sup>th</sup> CCSF AGM and conduct in-country cross visit,
- Hold an inauguration of a new CBMIFO office,
- Continue to conduct on-site & off-site monitoring to the CBMIFOs and branches,
- Continue to coach and mentor the CBMIFO's employees to manage daily operation,
- Support the CBMIFOs to close annual financial accountants and hold AGM,
- Support the CBMIFOs to hold annual workshop to review the progress and develop action plan for FY 2007-2008

## STATEMENT OF THE BOARD OF DIRECTORS

I, the undersigned, being the Chief Executive Officer of CAMBODIAN COMMUNITY SAVINGS FEDERATION (CCSF), do hereby state that in my opinion:

- 1) The results of the operations of the organization for the financial year ended 31 December 2006 have not been materially affected by any item, transaction and event of any material and unusual nature nor has any such item, transaction and event occurred in the interval between the end of the financial year and the date of this report, and
- 2) The accompanying financial statements of the organizations have been drawn up so as to give a true and fair view of the state of affairs of the organization for the year ended 31 December 2006 and of the results of its operations and cash flows for year ended on that date, in accordance with the accounting principles generally accepted in the Kingdom of Cambodia.

Signed on behalf of the Board by:



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Ms. Phal Pisey  
Chief Executive Officer

Date: 30 April, 2007

# Report of the independent auditors

to the shareholders and Board of Directors of Cambodian Community Savings Federation

## Scope

We have audited the accompanying financial statements of the Cambodian Community Savings Federation (CCSF), comprising the balance sheet, the statement of retained earning, the income statement, and the cash flows statement of organization for the year ended 31 December 2006 with the note to financial statements, which have been prepared in accordance with the International Financial Reporting Standards.

## Respective Responsibilities of Directors, and auditors

The financial statements are the responsibility of the organization's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

## Basis of Opinion

We conducted our audit with auditing standards generally accepted in the Kingdom of Cambodia. Those principles require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatement. An audit includes examining, on a test basis, evident supporting the amounts and disclosures in the financial statement, An audit also includes assessing the accounting principles used and significant estimate made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

## Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of affairs of the organization for the year ended 31 December 2006 and of the result of its operations and its cash flows for the year then ended, in accordance with the international Accounting Standards, and generally followed in Cambodia.



ANGKOR CERTIFIED ACCOUNTANT

Phnom Penh, Kingdom of Cambodia  
Date: 23 April 2007



## BALANCE SHEET

### AS AT 31 DECEMBER 2006

ASSETS	Note	2006		2005
		KHR'000	USD	KHR'000
Cash on hand		98,260	23,925	98,361
Deposits and placement with the banks	4	756,784	184,266	351,245
Loan and advances to customers		3,691,498	898,831	2,192,226
Other loans	5	161,871	39,413	28,322
Fixed assets		528	129	-
<b>TOTAL ASSETS</b>		<b><u>4,708,941</u></b>	<b><u>1,146,564</u></b>	<b><u>2,670,154</u></b>
<b>LIABILITIES AND EQUITY FUND</b>				
<b>LIABILITIES</b>				
Deposits of borrowers/members	6	365,935	89100	199,991
Other liabilities	7	1,360,723	331318	362,545
Subordinate debts	8	160,765	39144	920,499
<b>Total liabilities</b>		<b>1,887,423</b>	<b>459562</b>	<b>1,483,035</b>
<b>EQUITY FUND</b>				
Operating fund balance		86,720	21,115	86,720
Translation reserve		65,454	15,937	1,846
Project seed fund		934,563	227,554	211,040
Total share capital		46,578	11,341	-
Accumulated earning from previous year		887,513	216,098	416,117
Net income for the year		800,690	194,957	471,396
<b>Total Equity fund</b>		<b>2,821,518</b>	<b>687,002</b>	<b>1,187,119</b>
<b>LIABILITIES AND EQUITY FUND</b>		<b><u>4,708,941</u></b>	<b><u>1,146,564</u></b>	<b><u>2,670,154</u></b>

A.C.A The accompanying notes from an integral part of these financial statements.

## STATEMENT OF RETAINED EARNINGS

### FOR THE YEAR ENDED 31 DECEMBER 2006

	2006		2005
	KHR'000	USD	KHR'000
Retained earnings, previous year	887,513	216,098	416,117
Current earnings	800,690	194,957	471,396
Retained earnings at the end of the year	1,688,203	411,055	887,513

A.C.A The accompanying notes from an integral part of these financial statements.

## INCOME STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2006

OPERATING INCOME	Note	2006		2005
		KHR'000	USD	KHR'000
Interest income	9	752,372	183,193	449,907
Interest expense		(23,518)	(5,727)	(9,881)
<b>Net interest income</b>		<b>728,854</b>	<b>177,466</b>	<b>440,026</b>
Non-interest income	10	95,825	23,332	90,806
<b>Net operating income</b>		<b>824,679</b>	<b>200,798</b>	<b>530,832</b>
Operating expenses for the year	11	(943,836)	(229,811)	(1,062,019)
Provision for impairment losses		(24,055)	(5,857)	(30,656)
<b>Net operating loss before grant income</b>		<b>(143,212)</b>	<b>(34,870)</b>	<b>(561,843)</b>
Grant income	12	943,902	229,827	1,033,239
<b>NET INCOME FOR THE YEAR/ PERIOD</b>		<b>800,690</b>	<b>194,957</b>	<b>471,396</b>

A.C.A The accompanying notes from an integral part of these financial statements.

## CASH FLOWS STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2006

	2006		2005
	KHR'000	USD	KHR'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income/losses for the year	800,690	194,957	471,396
Adjustment for:			
Provision for impairment losses	24,055	5,857	30,656
Operating income/losses before charges in working capital	824,745	200,815	502,052
Charges in assets and liabilities			
Increase in loan and advances to customers	(1,499,272)	(365,053)	(982,994)
Increase in other receivable	(157,604)	(38,374)	(58,876)
Acquisition of fixed assets	(528)	(129)	-
Increase in customer's deposits	165,944	40,405	24,921
Increase in other liabilities	998,178	243,043	220,976
<b>Net cash used operating activities</b>	<b>331,462</b>	<b>80,707</b>	<b>(293,621)</b>
<b>CASH FLOWS FROM FIANNING ACTIVIES</b>			
Subordinate debts	(759,734)	(184,985)	84,278
<b>Net cash generated from financing activities</b>	<b>(759,734)</b>	<b>(184,985)</b>	<b>84,278</b>
OPERATING FUND BALANCE	-	-	-
TRANSLATION RESERVE	63,608	15,488	(3,608)
PROJECT SEED FUNDS	723,523	176,168	-
TOTAL SHARE CAPITAL	46,578	11,341	-
Net charges in cash and cash equivalents	405,438	98,719	(212,951)
Cash and cash equivalents at the beginning year	449,606	109,473	662,557
<b>Cash and cash equivalents at the end of year</b>	<b>855,044</b>	<b>208,192</b>	<b>449,606</b>
Represented by			
Cash on hand	98,260	23,925	98,361
Deposits and placement with the banks	756,784	184,267	351,245
	<u>855,044</u>	<u>208,192</u>	<u>449,606</u>

A.C.A The accompanying notes from an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2006

### 1. General

CAMBODIAN COMMUNITY SAVINGS FEDERATION (CCSF) is established aims at improving living standard of low income families, especially women, through encouraging them to deposit savings regularly and release loans to members with reasonable interest rate responsive to member's demands. CCSF respects the following objectives:

- To educate and motivate people about the importance of savings and credit and help them to be self-reliant in development
- To promote, establish and strengthen self-managed saving and credit banks,
- To support, organize and conduct various types of training, education, various campaigns, seminar, workshop etc.. with a view to developing human resources and local leadership as needed,
- To provide necessary support and technical guidance to its members societies, and potential new groups and bettering up their resources and development facilities,
- To undertake and facilitate other necessary promotional functions for the benefits and development of the savings and credit group/societies,
- To facilitate and support the groups to conduct various self income generating activities,
- To provide linkage between the saving and credit union movement and other line agencies and coordinate the activities with them as appropriate.

Vision: A sustainable community based micro-finance organization involved in poverty alleviation.

Mission: To provide affordable financial services to the communities, especially low income families, to improve their living standard.

The financial statements reflect the operations of Cambodian Community Savings Federation (CCSF) for the year ended 31 December 2006.

The company has 53 employees as at 31 December 2006.

### 2. Basis of preparation and aggregation

The financial statements of the company are prepared under historical cost convention in accordance with the guideline issued by the NBC and the International Financial reporting standards.

The financial statements include the financial statement of head office in Battambang, and branches in Bavel, Banteay Meanchey, Battmabng provinces. All significant inter-branch transactions are eliminated in full on aggregation of balances.

### **3. Significant accounting policies**

#### **3.1 Cash and cash equivalents**

Cash and cash equivalents comprise cash, bank balance, and short term funds liquidable in less than one month.

#### **3.2 Statutory deposit**

Statutory deposits represent mandatory reserve deposits and cash maintained with the NBC in compliance with the law on banking and financial Institution (“LBFI”) and are not available to finance the company day-to-day operations and hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

#### **3.3 Loan and advances**

Loan and advances are presented using the principal amounts outstanding at the end of the year after deducting any provisions for doubtful debts.

#### **3.4 Provision for loan losses**

The evaluation of the adequacy of the provision for the loan losses is based on the policy of the National Bank of Cambodia.

#### **3.5 Recognition of income and expenses**

Interest income earned on loans is recognized on a cash basis after off setting “loan incentive expenses” granted to borrowers for good performing loans upon their settlement.

Expenses are recognized when incurred.

#### **3.6 Interest and fee expenses**

Interest expense on deposits from borrowers is recognized on an accrual basis.

#### **3.7 Property and equipment**

Property and equipment is stated at a cost less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets at the following rates re annum:

Office furniture	100%
Office equipment	100%
Vehicle & Motors	100%

Fully depreciated assets are retained in the account until they are no longer in use and no further charge for depreciation is made in respect of these assets.

#### **3.8 Foreign currency translation**

The company transacts essentially in KHMER RIEL (KHR) and maintains its book of accounts in KHR. Transaction arising in currencies other than KHR during the year are converted into KHR at the rate of exchange ruling at the transaction dates. Asset and liabilities in foreign

currencies are translated into KHR at the balance sheet date 1 KHR=1/4,107USD (31 December 2005, 1 KHR=1/4,097). Exchange differences arising from conversion are represented on a net basis in the statement of income.

### 3.9 Related taxation

Parties are considered to be related if one party that the ability to control the other party or exercise significant influence over the party in making financial and operating decisions.

### 3.10 Deferred taxation

Provision is made, where material, for deferred taxation in respect of timing difference arising from the recognition of items of income and expenditure in the financial statements on bases different from that used for taxation purpose.

## 4. Deposits and placement with bank

	2006		2005
	KHR'000	USD	KHR'000
Bank deposits in Khmer Riel	239,157	58,231	-
Bank deposits in US dollar	517,557	126,018	142,456
Bank deposits in THB	70	17	208,789
	<b><u>756,784</u></b>	<b><u>184,266</u></b>	<b><u>351,245</u></b>

## 5. Other Loans

	2006		2005
	KHR'000	USD	KHR'000
Past due loans	63,854	15,548	49,218
Loan loss reserve	(24,457)	(5,955)	(41,006)
Management fee payable	-	-	13,222
Prepaid rent and expense	44,596	10,858	5,658
Donor CUFA receivable	-	-	1,230
Other receivables	77,878	18,962	-
	<b><u>161,871</u></b>	<b><u>39,413</u></b>	<b><u>28,322</u></b>

## 6. Deposits of borrowers/members

	2006		2005
	KHR'000	USD	KHR'000
Compulsory savings	159,577	38,855	86,482
Voluntary savings	146,620	35,700	113,509
Demand savings	59,738	14,545	-
	<b><u>365,935</u></b>	<b><u>89,100</u></b>	<b><u>199,991</u></b>

## 7. Other liabilities

	2006		2005
	KHR'000	USD	KHR'000
Management fee payable	-	-	28,528
Accrued expense	-	-	467
Account payable	8,593	2,092	9,987
Loan protection and life saving premium	231,685	56,412	61,613
Severance benefits	137,005	33,359	84,876
Capital build up	63,713	15,513	80,958
Provision for tax	22,571	5,496	22,571
Donation CCA payable	-	-	1,230
Micro insurance	-	-	59,754
medical benefit	335	81	351
External payable	808,226	196,792	-
Annual leave	23,908	5,821	12,210
IEC payable	64,688	15,751	-
	<b><u>1,360,723</u></b>	<b><u>331,318</u></b>	<b><u>362,545</u></b>

## 8. Subordinated debts

	2006		2005
	KHR'000	USD	KHR'000
WOCCU	6,081	1,481	-
Agriterra	599	146	-
AusAID trough CARE Australia	-	-	908,548
CUFA	105,369	25,656	135,498
ACCU	8,191	1,994	33,968
CCA	40,525	9,867	53,526
	<b><u>160,765</u></b>	<b><u>39,144</u></b>	<b><u>1,131,540</u></b>

## 9. Interest income

	2006		2005
	KHR'000	USD	KHR'000
Loan and advances	744,124	181,184	449,907
Deposits and placement with bank	8,248	2,008	-
	<b><u>752,372</u></b>	<b><u>183,193</u></b>	<b><u>449,907</u></b>

## 10. Non-interest income

	2006		2005
	KHR'000	USD	KHR'000
Service fees	68,785	16,748	90,806
Other income	27,040	6,584	-
	<b><u>95,825</u></b>	<b><u>23,332</u></b>	<b><u>90,806</u></b>



## 11. Operating expense

	2006		2005
	KHR'000	USD	KHR'000
Professional fee	5,690	1,385	16,291
Salaries & wages	532,510	129,659	522,609
Travel costs	10,524	2,563	9,340
Material, equipment, and commodity	-	-	80,948
Training	69,757	16,985	149,041
Other supplies	20,902	5,089	21,909
Communications	15,504	3,775	13,713
Utilities	33,336	8,117	-
Insurance	3,457	842	13,902
Building & Vehicle/rental	50,487	12,293	134,053
Management fees	-	-	28,528
Other expenses	86,452	21,050	2,225
Publication	4,653	1,133	29,411
Fuel & gasoline	21,253	5,175	-
Repair & maintenance	8,368	2,038	32,275
Bank charges	2,344	571	1,836
Tax & licenses	468	114	-
Annual leave expenses	583	142	-
Social service fees	578	141	-
Medical benefit expenses	113	27	-
Staff severance benefits	76,638	18,660	-
Annual general meeting	216	52.68	5,938
	<b><u>943,836</u></b>	<b><u>229,812</u></b>	<b><u>1,062,019</u></b>

## 12. Grant income

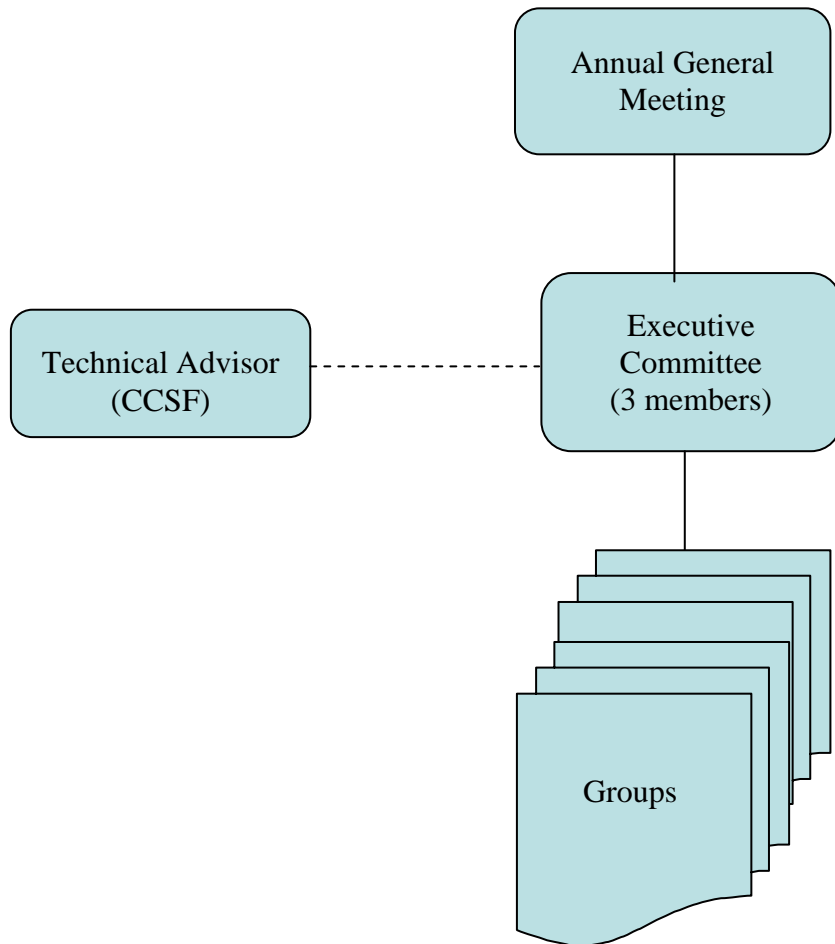
	2006		2005
	KHR'000	USD	KHR'000
Fund receipts from AusAID	58	14	837,691
Fund receipts from CUFA	334,030	81,332	51,567
Fund receipts from ACCU	97,459	23,730	143,981
Fund receipts from CCA	187,728	45,709	-
Fund receipts from Agriterra	212,191	51,666	-
Fund receipts from WOCCU	108,115	26,324	-
Gain from exchange rate	4,322	1,052	-
	<b><u>943,902</u></b>	<b><u>229,827</u></b>	<b><u>1,033,239</u></b>

## Annex 1

### CBMIFO'S STATISTIC AS AT 31 MARCH 2007

No	Name of CBMIFO's	Inception Date	# of Members	Savings '000 KHR	L/O Balance '000 KHR	Assets '000 KHR
1	Watanak	25/02/99	1,700	94,879	424,970	490,454
2	Akphiwat	25/09/98	990	74,998	175,710	198,697
3	Takream	27/01/99	444	28,573	91,690	119,411
4	Samaki Pheap	22/01/99	2,586	152,774	449,535	535,377
5	Amatak	02/02/99	633	47,752	119,615	138,583
6	Omali	01/07/99	1,359	79,119	293,911	336,003
7	Khum Chrey	05/05/00	1,824	147,417	322,491	360,236
8	Ek Phnom	19/09/98	2,463	168,995	293,447	408,136
9	Khemara	28/10/98	1,670	87,722	430,537	456,741
10	Kanteu Meanchey	15/03/99	1,001	52,418	282,016	290,020
11	Kampong Prieng	15/11/98	612	25,668	117,665	125,471
12	Serey Pheap	25/03/04	1,056	47,105	270,734	295,979
13	Omuni I-II	24/12/98	651	33,524	294,339	305,723
14	Robos Mongkol	24/06/04	260	11,475	32,290	36,507
15	Khum Talah	06/05/05	276	8,098	172,690	175,909
16	Prey Toteung Bavel	04/10/00	945	51,752	267,095	298,098
17	Knach Romeas	04/10/00	1,154	75,175	305,102	337,304
18	Kdol Tahen	21/02/02	855	29,240	217,111	252,660
19	Ang Chreaneang	01/06/00	438	26,270	106,312	116,885
20	Nirontarak Pheap	18/07/00	893	50,390	149,666	175,792
21	Khum Boeung Raing	26/10/05	189	12,476	17,550	21,597
22	Khum Oda	15/12/05	215	10,218	14,750	17,531
23	Khum Trang	07/03/06	272	11,235	59,250	63,203
24	Russey Krouk	19/08/03	711	27,834	236,789	244,597
25	Chub Preahnet Preah	20/05/04	668	27,088	229,578	242,615
26	Rong Roeurng	09/09/03	790	88,442	210,732	222,603
27	Pong Ror	12/05/05	249	13,709	33,730	35,830
28	Khum Samrong	01/04/05	247	7,734	26,837	28,097
29	Kampong Svay	06/06/05	339	10,819	35,067	36,053
30	Rohal	17/06/05	144	4,207	16,373	17,720
31	Makak	10/06/05	285	7,468	69,302	70,661
32	Khum Changha	15/08/06	135	3,156	4,260	4,366
33	Khum Preah Ponlea	13/09/06	63	1,387	1,808	1,821
34	Chamroeun Phal	02/10/06	47	1,056	1,412	1,428
35	Bory Sansam Troap	02/08/06	53	1,328	1,412	1,770
36	Chhnuar Meanchey	16/11/06	116	1,323	1,864	1,901
<b>Total:</b>			<b>26,333</b>	<b>1,522,824</b>	<b>5,777,640</b>	<b>6,465,779</b>

**ORGANIZATIONAL STRUCTURE OF CBMIFOs  
ESTABLISHMENT STAGE**



**ORGANIZATIONAL STRUCTURE OF CBMIFOs  
DEVELOPMENT STAGE**

