



# **ANNUAL REPORT 2007**

## TABLE OF CONTENTS

1. CCSF AT A GLANCE .....	3
1.1 Legal Status .....	3
1.2 OBJECTIVES .....	3
1.3 History .....	4
1.4 CCSF Organizational structure .....	6
1.5 CCSF Senior Management Team .....	6
2. OPERATIONAL ACHIEVEMENT .....	7
2.1 CBMIFO level.....	7
2.1.1 Building CBMIFO’s Directors & Management Competencies .....	7
2.1.2 Annual General Meeting .....	7
2.1.3 In-country cross visit .....	8
2.1.4 Development of Annual Operating Plan & operating policies.....	8
2.1.4 Development of Annual Operating Plan & operating policies.....	9
2.1.5 Monitoring and internal audit.....	9
2.2 Federation level.....	10
2.2.1 Establishment of Business centers .....	10
2.2.2 Building CCSF staff competencies.....	10
2.2.3 Annual General Meeting .....	10
2.2.4 Development of Annual Operating plan .....	10
2.2.5 Accounting & Internal Control Systems .....	11
3. PERFORMAMCE OUTPUTS .....	12
3.1 Geographical coverage: .....	12
3.2.Outreach: .....	13
3.3. Portfolio of CBMIFO’s movement:.....	13
3.4 Summary key financial highlight of CBMIFO’s movement: .....	14
3.5 Portfolio of the Federation (CCSF):.....	14
3.6 Loan Protection & Life Saving Program .....	14
3.7 Summary CCSF key Operational & financial highlights.....	15
3.8 Comparative CCSF financial highlights: .....	16
4. Future Plan.....	17
REPORT OF INDEPENDENT AUDITORS .....	19

# 1. CCSF AT A GLANCE

## 1.1 Legal Status:

Cambodian Community Savings Federation was previously known as a Small Economic Activity Development project of CARE Cambodia, financially supported by AusAID thru CARE Australia. The project has been transformed on 1<sup>st</sup> January 2003. CCSF is a first pioneer of Credit Union Model in Cambodia since January 1998, promoting savings and shrift habits based on nine international operating principles of Credit Unions.

In practice, it operates as a credit union federation by virtue of its registration with the Ministry of Interior of the Royal Government of Cambodia on 6<sup>th</sup> December 2002. It also operates as a rural microfinance service provider by virtue of its registration with the National Bank of Cambodia on 7<sup>th</sup> March 2003.

CCSF is the only organization in Cambodia, which empowers local rural low-income families to form micro-finance organizations at the community base level, which are owned, managed, and controlled by the members themselves. CCSF is operating in northwest region of the country, Battambang and Banteay Meanchey provinces. 36 Community Based Micro-Finance Organizations (CBMIFOs) are registered as member networks of CCSF.

## 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.

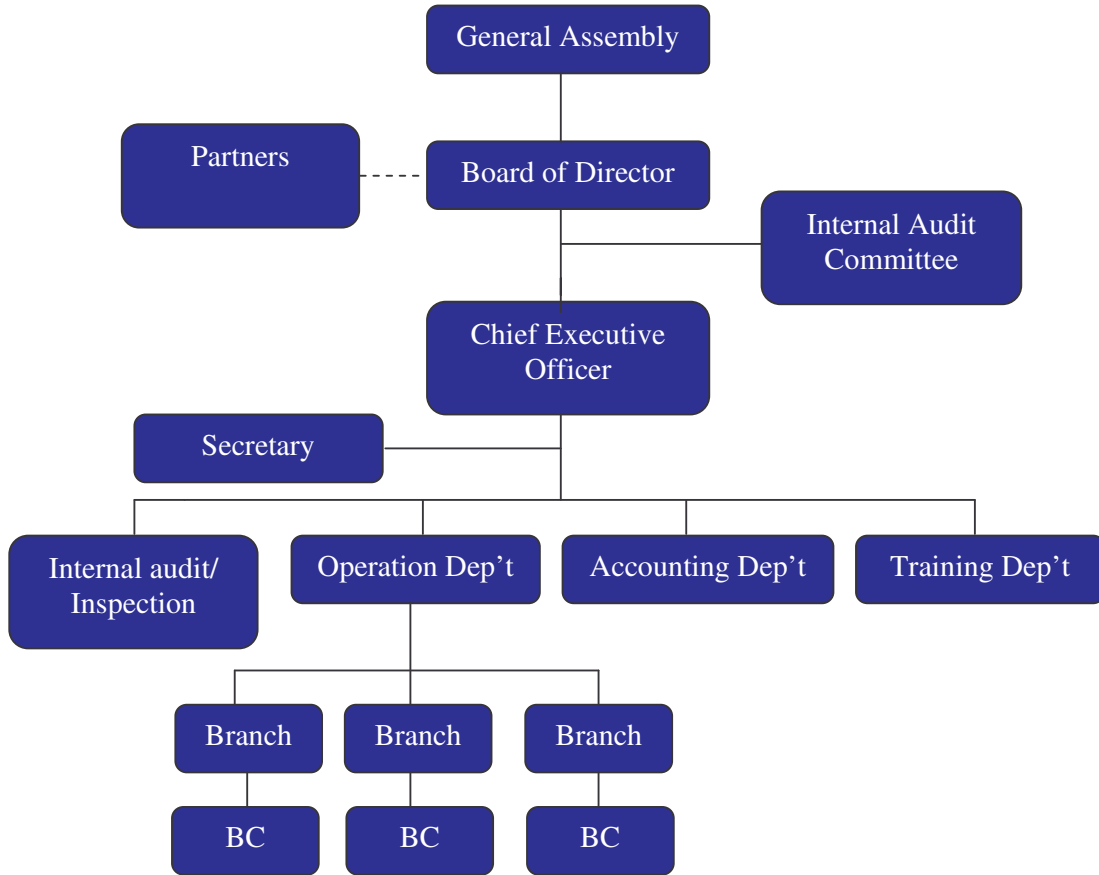
### 1.3 History:

Table below demonstrates progressive evolution of CCSF from 1998 to date.

Year	Activities
2008	<ul style="list-style-type: none"> <li>- Started new partnership with ETIMOS, Italy.</li> </ul>
2007	<ul style="list-style-type: none"> <li>- Operation area: 8 districts in Battambang province, 5 districts in Banteay Meanchey province. Total 13 districts.</li> <li>- Expanded the program to Phnom Srok, Banteay Meanchey province.</li> <li>- CCA phased out in June 2007.</li> <li>- CUFA phased out in February 2007.</li> <li>- Established 2 Business Centers on 1<sup>st</sup> January 2006: 1) Kamrieng district, Battambang province; 2) Preh Netpreh district, Banteay Meanchey province.</li> </ul>
2006	<ul style="list-style-type: none"> <li>- Started new partnership with Rabo bank foundation in December 2006.</li> <li>- Started new partnership with Agriterria, the Netherlands.</li> <li>- Pilot establishment of Business Center in Mong Reussey district.</li> <li>- Operation area: 8 districts in Battambang province, 4 districts in Banteay Meanchey province. Total 12 districts.</li> <li>- Expanded the program to 2 districts in Banteay Meanchey province: 1) Ochreuv, and 2) Serei Sophon district.</li> </ul>
2005	<ul style="list-style-type: none"> <li>- CARE Australia/AusAID phased out by the end of December 2005.</li> <li>- Operation area: 7 districts in Battambang province, 2 districts in Banteay Meanchey province. Total 9 districts.</li> <li>- Expanded the program to Kamreang district, Battambang province, and Preh Netpreh district, Banteay Meanchey province.</li> <li>- Established 3 branches on 1<sup>st</sup> January 2005: 1) Battambang, 2) Bavel, and 3) Banteay Meanchey.</li> </ul>
2004	<ul style="list-style-type: none"> <li>- Operation area: 7 districts in Battambang province, 1 district in Banteay Meanchey province. Total 8 districts.</li> <li>- Started new partnership with Canadian Cooperative Association. CCA financially supported program expansion thru establishment of sub-office in Mong Reussey district, Battambang province.</li> <li>- Started new partnership with Credit Union Foundation Australia (CUFA). CUFA and ACCU financially supported program expansion thru establishment sub-office in Banteay Meanchey province. The program was implemented in Monkol Borei district.</li> </ul>
2003	<ul style="list-style-type: none"> <li>- Decision to register as affiliate member of Asian Confederation of Credit Unions (ACCU). Recognition of membership is made on 27<sup>th</sup> September 2003.</li> <li>- Decision to register with Nation Bank of Cambodia as Rural Credit Operator on 7<sup>th</sup> March 2003.</li> </ul>

Year	Activities
	<ul style="list-style-type: none"> <li>- Transformed the project of CARE Cambodia to Local NGO, Cambodian Community Savings Federation, on 1<sup>st</sup> January 2003, by virtue of its registration with the Ministry of Interior of the Royal Government of Cambodia on 25<sup>th</sup> December 2002.</li> </ul>
2002	<ul style="list-style-type: none"> <li>- Preparation of transformation of the project to Local NGO called "Cambodian Community Savings Federation-CCSF".</li> <li>- Commenced third phase of three year project, 2002-2005, financially supported by AusAID thru CARE Australia. The project to consolidate the saving mobilization program thru merging methodology towards building operational and financial viability of the CBMIFOs.</li> </ul>
2000-2001	<ul style="list-style-type: none"> <li>- CARE USA phased out by the end of 2001.</li> <li>- Operation area: 6 districts.</li> <li>- Expanded the program to Bavel and Thmorkol districts, Battambang province financially supported by CARE USA.</li> </ul>
1999-2002	<ul style="list-style-type: none"> <li>- Commenced second phase of three year project, 1999-2002, financially supported by AusAID thru CARE Australia. The project to scale up the program in 6 districts within Battambang province: 1) Sangke, 2) Battambang, 3) Ek Phnom, 4) Banan, 5) Bavel and 6) Thmorkol.</li> </ul>
1998-1999	<ul style="list-style-type: none"> <li>- Started working in partnership with Association of Asian Confederation of Credit Union (ACCU). The project received Technical Assistance from ACCU since the start of the project, aiming at to replicate the credit union model in Cambodia.</li> <li>- The project was shifted from working in partnership with 4 local NGOs to pilot the program directly thru establishment Saving Banks in 4 districts: 1) Sangke, 2) Battambang, 3) Ek Phnom, and 4) Banan.</li> <li>- Commencement of "Pilot Saving Mobilization" project of CARE Cambodia, Jan 1998-Jun 1999, financially supported by CARE Australia in two districts within Battambang province. The project was working in partnership with 4 local NGOs: 2 partners in Ek Phnom district, and 2 partners in Mong Reussey district.</li> </ul>

#### 1.4 CCSF Organizational structure:



The Board of Director comprises of five members, elected by Annual General Meeting (AGM) represented by 100% of the membership of CCSF. The composition of the BoD members is representative of BoD members of the member organizations. The BoD meets every two month.



*From left to right:*

Mr. Ket Phal, *Director*

Mr. Pheach Sopeak, *Secretary of Board of Director*

Ms. Kong Sarou, *Vice Chairwoman of Board of Director*

Mr. Pech Heu, *Chairman of Board of Director*

Ms. Keo Smabath, *Director*

#### 1.5 CCSF Senior Management Team:

Daily operation is managed by CCSF management, which led by a Chief Executive Officer (CEO), supported by four main departments: 1) Operation, 2) Accounting &



Administration, 3) Internal Inspection, and 4) Training. Each department is led by Department Managers.

## 2. OPERATIONAL ACHIEVEMENT

### 2.1 CBMIFO level:

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

Due to the CBMIFOs are respecting the main operating principles, which one of them is "democratic control", the leadership of the CBMIFOs are changed based on the democratic election made by the Annual General Meeting. The competencies of directors, management, and employees of the CBMIFOs are the key 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 on management and governance of the CBMIFOs. The training is very essential for the new elected leaders of the CBMIFOs. CCSF, therefore, keeps providing advanced training regularly basis, at least one course per month, in Battambang town.

The average participant is expected per course is 25 persons. However, some training courses, more than 25 persons have participated. During the reporting period, there are nine courses of advanced training provided to member organizations, participated by

252 trainees, among those, 111 are female leaders and employees.

The training courses include:

- Advanced bookkeeping: 2 courses
- Leadership development: 2 courses
- Good loan management: 2 courses
- Loan delinquency management & control: 1 course
- Risk management: 2 courses



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.

#### 2.1.2 Annual General Meeting:

The CBMIFOs held General Meeting (AGM) annually. At the reporting period, there are 429 volunteers, of which 188 are female. Among those, there are 136 BoD members, 46 are female; 68 SC members, 29 are female; 21 Executive member, 7 are female, elected by the AGM.

There are 204 Credit Committee members, 106 are female, appointed by the BoD.



The appointment of the Credit Committee members may depend on the scope of the operation of each CBMIFO.

159 employees, of which 98 is female, have been employed by the CBMIFOs to manage day-to-day operation.

The BoD, Committee, and the employees of the CBMIFOs meet every month to review the progress against their action plan and to address some issues that may arise.



### 2.1.3 In-country cross visit:



CCSF has hosted an exposure study visit for Agriterria development partner, CAMFAD, to visit CU model participated by 19 CAMFAD officers, staff, and leaders of farmer associations.

Two CBMIFOs have been visited to exchange experiences, lesson learned, and to build a visionary leadership for the leaders of the farmer associations, and CAMFAD officers and staff.

CCSF has also hosted several study visits for donors, International NGOs, and local NGOs to visit the program.

An inauguration of new office of one of the CBMIFOs “**Ek Phnom**” has been conducted, presided over by H.E. El Soy, Deputy Provincial Governor. More than 300 attendees participated in the event.

Another inauguration of new office of another CBMIFO “**Kanteu Meanchey**” has been conducted, participated by local authority, CBMIFO committee, members, employees, management and staff of CCSF.

The inauguration ceremony has built an image of the CBMIFO at the market place, and demonstrated that the poor do save for their future life.

It is also encouraged and motivated the CBMIFO’s directors and management to trust the model, and be committed to support the CBMIFOs towards financial viability.





#### **2.1.4 Development of Annual Operating Plan & operating policies:**

As usual, one day workshop has been held for each CBMIFO, participated by all BoD, Supervisory committee, Credit Committee, and employees of the CBMIFOs, facilitated by CCSF Member Service Officers.



The objectives of the workshop are to review annual outcomes against their annual operating plan, introduce monitoring tools, PEARLS, to analyze their financial position, and develop annual operating plan for the next financial year.

All CBMIFOs have developed Annual Operating Plan for the financial year, 1 April 2007 - 31 Mar 2008. The CBMIFO's businesses are therefore operated based on their AOP.

Several meetings have been conducted attended by the leaders of the CBMIFOs facilitated by the MSOs aiming at reviewing and improving the operating policies for the CBMIFOs.

#### **2.1.5 Monitoring and internal audit:**

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 (MSOs) to the member organizations ensuring that daily implementation is in compliance with the internal policy and procedures set and approved by the CBMIFOs.

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 and financial position of their CBMIFOs.

Semi-Annual internal financial audit to the CBMIFOs is conducted by CCSF internal inspection team, aiming at assessing 3 main areas: 1) ability to do bookkeeping, 2) competencies of management and directors in management and governance, 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.

## **2.2 Federation level:**

### **2.2.1 Establishment of Business centers:**

Two Business Centers have been newly established in two districts, Preh Netpreh and Kamreang, aiming at building convenience for the members to do business transactions, minimizing possible risks that may occur while carry cash traveling in long distance, and reducing traveling costs and time.

### **2.2.2 Building CCSF staff competencies:**

The scale and scope of the CBMIFO's operation are growing year after year. Therefore, advance staff capacity is one of CCSF strategies to build sound and safe CBMIFOs and CCSF itself.

During this reporting period, one course of advanced training on Credit Union Management has been provided to all branch staff. The objective of the training is to ensure staff competency in playing efficient and effective advisory roles.

One course of advanced bookkeeping is also provided to the internal audit team. Having bookkeeping knowledge, the internal audit team is able to conduct financial inspection to the member organizations and branches, ensuring that internal control system and transparency is in place. Simultaneously, staff is able to identify areas, where need to be improved, as well as to conduct training need assessment.

Staff also sent to abroad training/ workshop/ seminar/ exposure program organized by ACCU in Bali, Indonesia.



### **2.2.3 Annual General Meeting:**

Fifth Annual General Meeting has been conducted on 30 June 2007, participated by 35 delegates, 33 regular members and 2 affiliate members. Members of the BoD have been elected by the AGM.

### **2.2.4 Development of Annual Operating plan:**



Two day workshop has been conducted participated by all branch staff to review outputs against its annual operational plan, and develop 2008 annual plan.

Simultaneously, a SWOT analysis has been conducted in order to review the financial forecast, resulted in key estimated financial indicators to be used for reviewing the business plan for the next coming year.

### **2.2.5 Accounting & Internal Control Systems:**

The internal audit team has conducted review on internal control systems of the branches twice per year ensuring that the implementation is in compliance with the internal policies and procedures.

CCSF has engaged technical assistance with its development partner, Rabobank Foundation, to review internal control systems, and develop internal control manual for CCSF. The scope of technical assistance will also review and develop internal audit manual applied for the member organizations, and provide training to the internal audit team. The mission will commence in January 2008.

CCSF has also engaged technical assistance with ACCU to review and finalize the accounting policy and procedures, and provide training to the accountant staff. The mission will be conducted in July 2008.

## 3. PERFORMANCE OUTPUTS

### 3.1 Geographical coverage:

The program has been replicated in another new district, Phnom Srok district, in in Banteay Meanchey. During this reporting period, the program has been implemented in 427 villages, 81 communes within 13 districts of the two provinces.

#### District name in Battambang

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

#### District name in Banteay Meanchey

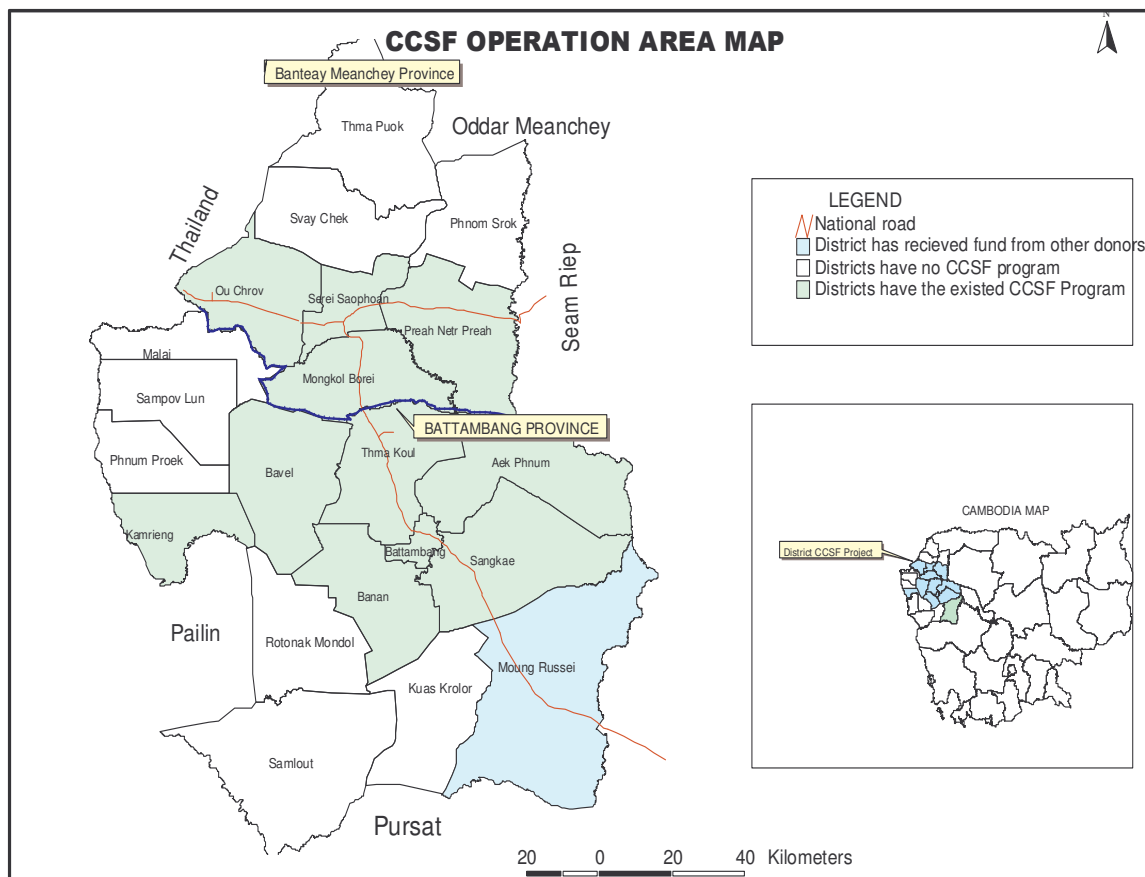
- Mongkol Borei,
- Preh Netpreh,
- Serey Sophorn,
- Ochreuv, and
- Phnom Srok.

#### Number of village and communes:

- 56 communes,
- 313 villages

#### Number of village and communes:

- 25 communes,
- 114 villages

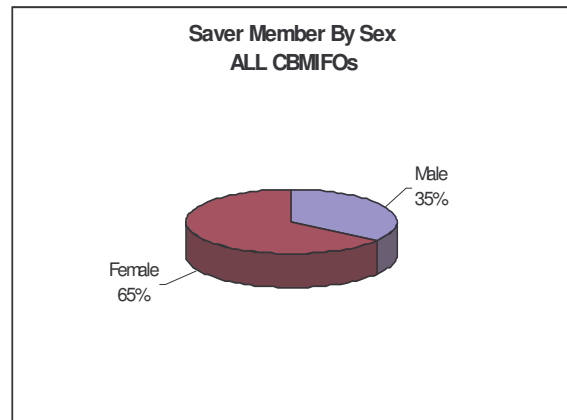
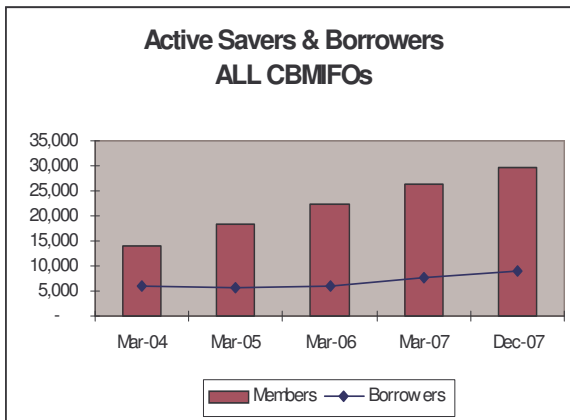




### 3.2. Outreach:

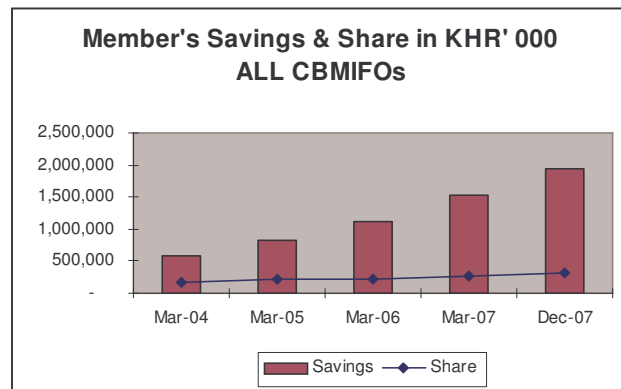
As at 31 December 2007, there are 37 active CBMIFOs with 29,672 individual active saver members, of which 19,292 members, of which 65% are female. From March 2004-December 2007, an average growth of saver membership is 21%, however, there is 13% growth of membership in the FY Mar 2007- Dec 2007<sup>1</sup>.

Among those, there are 8,957 active borrowers, of which 6,534 female, who have borrowing loans from the CBMIFOs for setting up and improving their businesses.

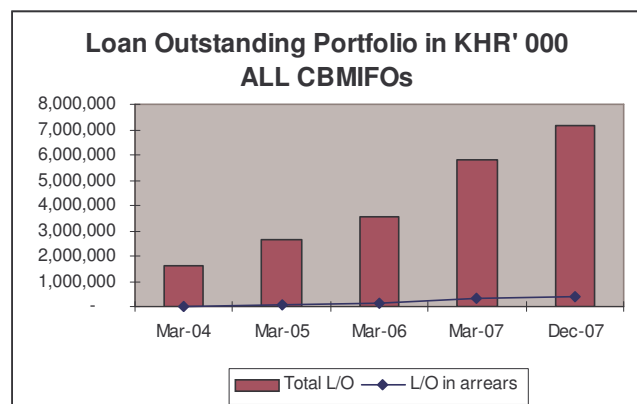


### 3.3. Portfolio of CBMIFO's movement:

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 December 2007, there is an average growth of savings at 35%, share at 20%, and loan outstanding at 47%. However, in FY Mar'07-Dec'07, there is 28% growth in member's savings, 21% growth in member's share, and 24% growth in loan outstanding.



As at Dec 2007, Delinquency ratio is 5.28% and PAR ratio is 5.44%.

<sup>1</sup> The CBMIFOs have changed their financial year from 1 April-31 March to 1 January-31 December.

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

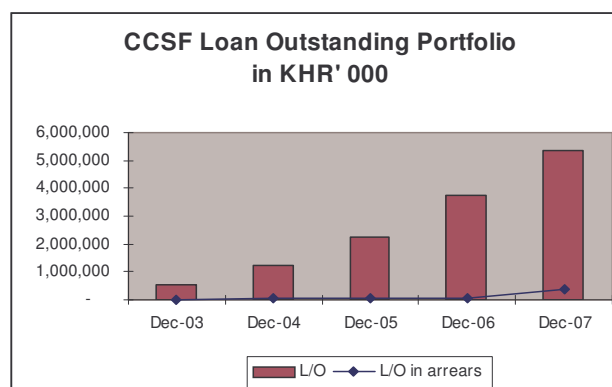
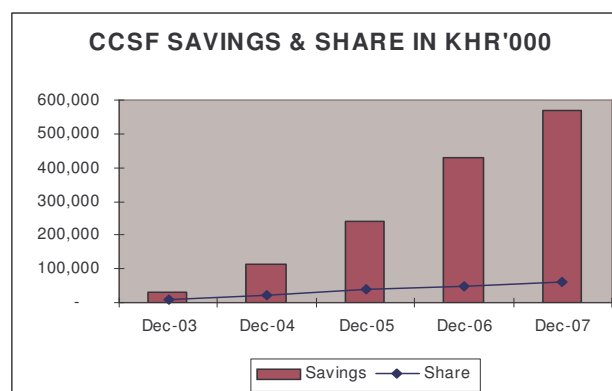
Key indicators Amount in KHR'000	Dec 2007	Mar 2007	Mar 2006	Mar 2005	Mar 2004
Number of saver members	29,672	26,333	22,314	18,262	13,909
Amount of member's savings	1,942,372	1,522,837	1,109,360	832,372	587,183
Amount of member's share	327,014	269,337	210,604	209,376	161,515
Value of loan outstanding balance	7,156,032	5,777,652	3,545,166	2,642,717	1,592,232
Value of loan outstanding in arrears	389,591	295,476	131,235	87,392	18,059
Value of payment in arrears	377,568	291,060	124,509	79,093	17,758
Number of borrowers	8,957	7,769	6,253	5,519	5,634
Delinquency ratio	5.28%	5.04%	3.51%	2.99%	1.12%
Portfolio at risk ratio	5.44%	5.11%	3.70%	3.31%	1.13%
Average savings/ member	65	57	49	45	42
Average loan amount / borrowers	798	743	567	478	282

### 3.5 Portfolio of the Federation (CCSF):

Besides providing technical assistance to the member organizations, CCSF is also a whole sale organization, providing financial services to the members through promoting savings and providing loans to the members for the retails sale. As of 31 December 2007, CCSF has collected savings amounting 570,246,000 Riels and granted loan to the members amounting 5,365,999,000 Riels for 4 main purposes: Productivity loans 84.21%, Liquidity Loan 0.04%, Institutional loan 4.5%, and Individual loan 11.26%.

Compared from Dec 2003 to Dec 2007 there is an average growth of savings at 123%, share at 87%, and loan outstanding at 82%. However, in the FY 2007, there is 33% growth of member's savings, 30% growth of member's share, and 43% growth of loan outstanding.

The delinquency ratio is 0.90%, while the portfolio at risk ratio is 7.08%.



### 3.6 Loan Protection & Life Saving Program

Along with technical assistance and financial services provided to members, CCSF also offers another non-financial product, Loan Protection & Life Saving (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 family, under a slogan "debt die upon member die". The program is also considered as a risk management strategy to mitigate possible financial risk of the CBMIFOs and CCSF itself when death occurs. This is a special program, which is served to the CBMIFO's members only. As of 31 December 2007, 28,982 members have availed CCSF LPLS program.

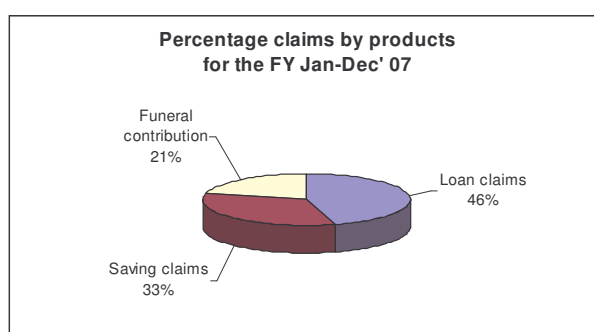
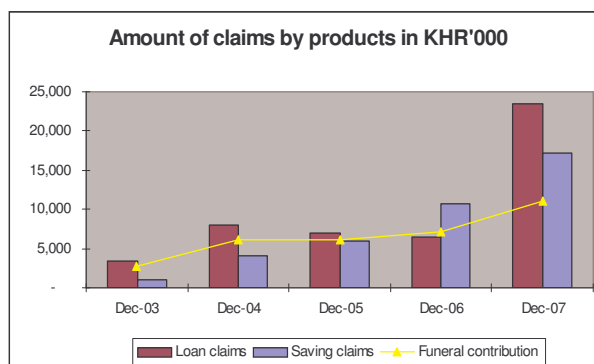
To ensure better quality services provided to members as well as to mitigate possible risks of the member organizations and CCSF itself, recommendations of Technical Expert from MIAN/Interpolis, has been undertaken in 2007. In line with the recommendations, a new product, "bonus", has been designed and implemented for those, who have been a member of the CBMIFO more than five years.

From year to year, the number of death is increasingly. The reason of death is mostly from illness and accident. In FY 2007, there is 46% of loan claims, 33% of savings claims, and 21% of funeral contribution.

Compared from Dec 2003-Dec 2007, there is average increase of claims of all products at 74%, however, average increase by products is as below:

- Loan: 93%
- Savings: 123%
- Funeral contribution: 48%

In FY 2007, there is an average increase of claims of all products at 112%: there is an increase at 261% of loan claims, increase at 61% of saving claims, and increase at 52% of funeral contributions.



The increase of claims this year is due to improvement of diversification of the benefits provided to the members. When death occurs, the death family members are entitle to three benefits: double saving account, repay loan on behalf of the death at the maximum amount of 2 million KHR, and contribution of funeral. As mentioned above, if the death was been membership more than five years, the death family members are also entitle to bonus.

### 3.7 Summary CCSF key Operational & financial highlights

Table below provides operational and financial highlights in five consecutive years.

Key indicators Amount in KHR' 000	Dec 2007	Dec 2006	Dec 2005	Dec 2004	Dec 2003
Number of CBMIFOs	37	36	38	38	38
Number of groups	2,255	1,987	1,754		
Number of LPLS members	28,982	24,490	21,196	15,595	11,051
Number of death/claims	246	173	154	123	68
Total amount of claims	51,810	24,404	18,931	18,259	7,231
- Loan claims	23,545	6,521	6,972	8,038	3,475
- Savings claims	17,143	10,663	5,878	4,120	1,006
- Funeral contribution	11,002	7,219	6,080	6,100	2,750
- Bonus claim	120	-	-	-	-
Member's savings	570,246	429,648	240,822	115,316	31,158
Member's share	60,475	46,578	40,127	20,361	6,672
Gross loan outstanding balance	5,365,999	3,755,352	2,241,444	1,209,232	516,773
Loan outstanding in arrears	379,740	63,854	72,357	38,950	
Value of payment in arrears	48,133	32,503	49,218	18,159	
Delinquency ratio	0.90%	0.87%	2.20%	1.50%	-
Portfolio at risk ratio	7.08%	1.70%	3.23%	3.22%	-

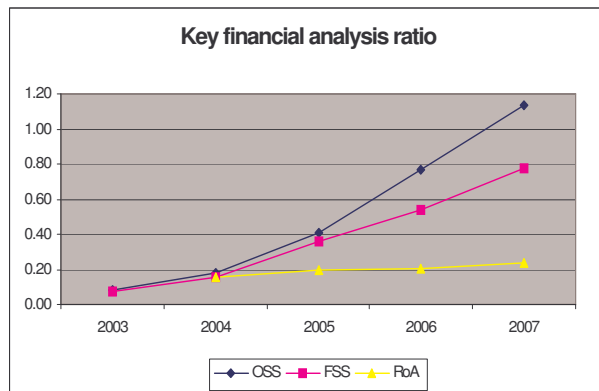
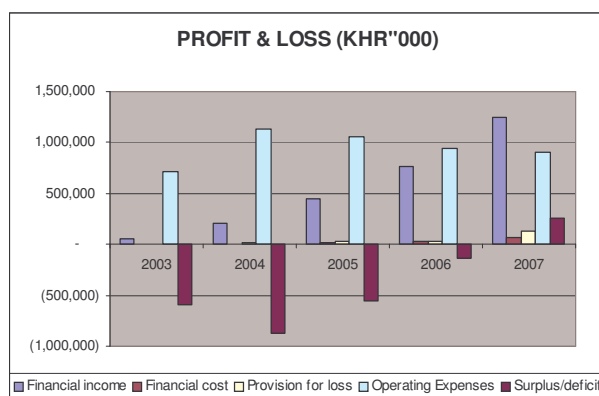
### 3.8 Comparative CCSF financial highlights:

Amount in KHR'000	December		Amount of avriation	% of increase
	2007	2006		
Total asstes	5,783,697	4,708,941	1,074,756	23%
Savings	570,247	429,648	140,599	33%
Share	60,475	46,578	13,897	30%
Gross Loan Outstanding	5,365,999	3,755,352	1,610,647	43%
Gross income	1,431,570	851,691	579,879	68%
Operating costs	919,448	943,833	-24,385	-3%
Financial costs & Provision for loss	196,836	46,749	150,087	321%
Operating income/loss	315,286	(138,891)	454,177	283%

It is delighted to report the successful year of CCSF. Five years after transformation from CARE Cambodia project, January 2003, CCSF has struggled with many challenges, aiming at to maintain sustainable services provided to member organizations, while simultaneously support them to become sound and safe community based micro-finance organizations.

Given a quick look at the summary financial information illustrated in the table 3.8, there is a potential growth from year to year in term of members, savings, and loans.

Compared to financial year 2006, CCSF has reached Operational Self-Sufficiency at 113.68% and Financial Self-Sufficiency<sup>1</sup> at 77.41%, while 76.73% of OSS and 54.28% of FSS had been achieved in 2006. Return on Average Asset is 23.80% in 2007 and 20.62% in 2006.





## 4. Future Plan

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

- Revise CCSF business plan,
- Scale up portfolio, expand outreach, and geographic coverage within two provinces,
- Improve accounting manual, and reporting system,
- Improve loan documents,
- Test saving and loan data base,
- Develop internal audit and internal control manuals,
- Develop training session on role and responsibility of the supervisory committee,
- Revise staff Annual Performance Appraisal.
- Conduct advanced training for the member organizations,
- Conduct semi-annual internal financial inspection of all CBNMIFOs 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 BY MANAGEMENT

We, the management of Cambodian Community Savings Federation (“CCSF”), do hereby state that in our opinion:

- i) The results of the operations of CCSF for the year ended 31 December 2007 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 other than as disclosed in the financial statements, and
- ii) The accompanying financial statements of CCSF have been drawn up so as to give a true and fair view of the state of affairs of CCSF as at 31 December 2007 and of the results of its operations and cash flows for the year ended on that date, in accordance with accounting principles generally accepted in the Kingdom of Cambodia.

On behalf of the Management



**Ms. Phal Pisey**

**Chief Executive Officer**

10 October 2008

A handwritten signature in blue ink, consisting of stylized initials and a long horizontal stroke.

**Ms. Nget Ny**

**Account/Admin Manager**

10 October 2008

## REPORT OF INDEPENDENT AUDITORS TO THE MANAGEMENT OF CAMBODIAN COMMUNITY SAVINGS FEDERATION

We have audited the accompanying balance sheet of Cambodian Community Savings Federation (“CCSF” or “the Organisation”) as at 31 December 2007, and the related statements of income, changes in fund balance and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management responsibility**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Kingdom of Cambodia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organisation’s preparation and fair presentation of the financial statements 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 Organisation’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the state of affairs of the Organisation as at 31 December 2007 and of its results of operations and cash flows for the year then ended, in accordance with accounting principles generally accepted in the Kingdom of Cambodia.

(Continued)

## REPORT OF INDEPENDENT AUDITORS TO THE MANAGEMENT OF CAMBODIAN COMMUNITY SAVINGS FEDERATION (continued)

### Emphasis of matters

Without qualifying our opinion, attention is drawn to:

- Note 3.7 to the financial statements which indicates that at each financial year, the Organisation's assets and liabilities denominated in foreign currencies are converted to Riel using an annual exchange rates fixed by Management. As monetary assets and liabilities denominated in foreign currencies are not reported at closing rate, their carrying amounts as shown in the balance sheet may be misstated.
- Note 10 to the financial statements which indicates that the Organisation is providing loan protection and life savings to its borrowers. Its is unclear whether this particular product is within the scope of activities of the Organisation.

Comparative figures are audited by another independent audit firm, and accordingly, we do not express an opinion on them.

The accompanying financial statements are prepared for jurisdiction of Cambodia. It is not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions other than Cambodia.



The image shows a handwritten signature in blue ink above a circular purple stamp. The stamp contains the text "Morison Kak & Associates Chartered Accountants" in the center, with Khmer text around the perimeter and two asterisks on either side.

Saksom Meas  
Managing Partner

### **Morison Kak & Associés**

Certified Public Accountants  
Registered Auditors

10 October 2008



**BALANCE SHEET AS AT 31 DECEMBER 2007**

		2007		2006
	Notes	KHR'000	USD	KHR'000
<b>ASSETS</b>				
Cash in hand	4	64,061	15,818	98,260
Balances with banks inside Cambodia	5	427,248	105,494	756,784
Loans and advances to customers	6	5,228,261	1,290,929	3,730,896
Property and equipment	7	11,043	2,726	528
Other assets	8	<u>53,084</u>	<u>13,107</u>	<u>122,474</u>
<b>TOTAL ASSETS</b>		<b><u>5,783,697</u></b>	<b><u>1,428,074</u></b>	<b><u>4,708,942</u></b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Deposits of borrowers/members	9	570,247	140,802	429,648
Loan protection and life savings	10	373,812	92,299	231,685
Amounts due to saving bank members	11	60,475	14,932	46,578
Other liabilities	12	<u>234,978</u>	<u>58,018</u>	<u>257,100</u>
<b>TOTAL LIABILITIES</b>		<b>1,239,512</b>	<b>306,051</b>	<b>965,011</b>
<b>LONG TERM BORROWINGS</b>	13	<b>1,134,600</b>	<b>280,147</b>	<b>808,226</b>
<b>FUND BALANCE</b>				
Opening balance		86,720	21,412	86,720
Project seed capital	14	949,821	234,525	934,563
Translation reserve		-	-	65,454
Subordinated debts	15	7,083	1,749	160,765
Net profit for the year		677,758	167,348	800,690
Accumulated earnings from prior years		<u>1,688,203</u>	<u>416,842</u>	<u>887,513</u>
<b>TOTAL FUND BALANCE</b>		<b><u>3,409,585</u></b>	<b><u>841,876</u></b>	<b><u>2,935,705</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>		<b><u>5,783,697</u></b>	<b><u>1,428,074</u></b>	<b><u>4,708,942</u></b>

Signed and authorised for release on behalf of the Management.



**Ms. Phal Pisey**  
**Chief Executive Officer**

10 October 2008

**Ms. Nget Ny**  
**Account/Admin Manager**

10 October 2008

*The accompanying notes form an integral part of these financial statements.*

## STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007		2006
		KHR'000	USD	KHR'000
Interest income	16	1,236,731	305,366	752,372
Interest expense	17	<u>(67,688)</u>	<u>(16,713)</u>	<u>(23,518)</u>
<b>Net interest income</b>		<b>1,169,043</b>	<b>288,653</b>	<b>728,854</b>
Non-interest income	18	194,839	48,109	99,319
Payroll and other staff costs	19	(570,341)	(140,825)	(609,844)
Depreciation expenses		(6,322)	(1,562)	-
Other operating expenses	20	<u>(342,785)</u>	<u>(84,638)</u>	<u>(333,989)</u>
<b>Operating profit before provision for impairment</b>		<b>444,434</b>	<b>109,737</b>	<b>(115,660)</b>
Provision for impairment losses		<u>(129,148)</u>	<u>(31,889)</u>	<u>(23,231)</u>
<b>Net profit / (loss) before grant income</b>		<b>315,286</b>	<b>77,848</b>	<b>(138,891)</b>
Grant income	21	<u>362,472</u>	<u>89,499</u>	<u>939,581</u>
<b>Net profit for the year</b>		<b><u>677,758</u></b>	<b><u>167,347</u></b>	<b><u>800,690</u></b>

Signed and authorised for release on behalf of the Management



**Ms. Phal Pisey**  
Chief Executive Officer

10 October 2008

**Ms. Nget Ny**  
Account/Admin Manager

10 October 2008

*The accompanying notes form an integral part of these financial statements.*

## STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2007

	Opening balance KHR'000	Project seed capital KHR'000	Translation reserve KHR'000	Subordinated debts KHR'000	Accumulated earnings KHR'000	Total KHR'000
Balance as at 1 January 2006	86,720	934,563	1,846	211,040	887,513	2,121,682
Translation reserve	-	-	63,608	-	-	63,608
Subordinated debts re-allocation	-	-	-	(50,275)	-	(50,275)
Net profit for the year	-	-	-	-	800,690	800,690
<b>Balance as at 31 December 2006</b>	<b>86,720</b>	<b>934,563</b>	<b>65,454</b>	<b>160,765</b>	<b>1,688,203</b>	<b>2,935,705</b>
Balance at 1 January 2007	86,720	934,563	65,454	160,765	1,688,203	2,935,705
Translation reserve recognised as income	-	-	(65,454)	-	-	(65,454)
Project seed capital	-	15,258	-	-	-	15,258
Subordinated debts (note 15)	-	-	-	(153,682)	-	(153,682)
Net profit for the year	-	-	-	-	677,758	677,758
<b>Balance as at 31 December 2007</b>	<b>86,720</b>	<b>949,821</b>	<b>-</b>	<b>7,083</b>	<b>2,365,961</b>	<b>3,409,585</b>
<i>(Equivalent in US Dollar)</i>	<b>21,412</b>	<b>234,525</b>	<b>-</b>	<b>1,749</b>	<b>584,190</b>	<b>841,876</b>

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007

	2007		2006
	KHR'000	USD	KHR'000
<b>Cash flows from operating activities</b>			
Profit before income tax	677,758	167,347	800,690
<i>Adjustments for:</i>			
Depreciation of property and	6,322	1,562	-
Provisions for impairment losses	129,148	31,889	24,055
Re-allocation and provision for	73,604	18,174	-
Re-allocation of subordinated debts	(451,928)	(111,587)	-
Operating profit before changes in working	434,904	107,385	824,745
Increase/(decrease) in cash attributable to changes in working assets and			
Loans and advances	(1,626,513)	(401,608)	(1,554,512)
Other assets	69,390	17,133	(102,364)
Deposits of borrowers/members	140,599	34,716	318,771
Loan protection and life savings	142,127	35,093	-
Amounts due to saving bank members	13,897	3,431	46,578
Other liabilities	(22,122)	(5,462)	37,126
<b>Net cash used in operating activities</b>	<b>(847,718)</b>	<b>(209,312)</b>	<b>(429,656)</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	(16,836)	(4,157)	(528)
<b>Net cash used in investing activities</b>	<b>(16,836)</b>	<b>(4,157)</b>	<b>(528)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term borrowings	303,394	74,912	808,226
Repayments of long-term borrowings	(50,625)	(12,500)	-
Funds received for Project seed capital	15,258	3,767	723,522
Subordinated debts proceeds/(re-	298,246)	73,641)	(759,734)
<b>Net cash generated from financing</b>	<b>566,273</b>	<b>139,820</b>	<b>772,014</b>
<b>Translation reserve</b>	<b>(65,454)</b>	<b>(16,161)</b>	<b>63,608</b>
<b>Net changes in cash and cash equivalents</b>	<b>(363,735)</b>	<b>(89,810)</b>	<b>405,438</b>
Cash and cash equivalents at beginning of	855,044	211,122	449,606
<b>Cash and cash equivalents at end of year</b>	<b>491,309</b>	<b>121,312</b>	<b>855,044</b>
<i>Represented by:</i>			
Cash in hand	64,061	15,818	98,260
Balances with banks inside	427,248	105,494	756,784
	<b>491,309</b>	<b>121,312</b>	<b>855,044</b>

*The accompanying notes form an integral part of these financial statements.*

## 1. General

CAMBODIAN COMMUNITY SAVINGS FEDERATION (“CCSF”) was formerly known as SEAD (Small Economic Activity Development), a project operating under the umbrella of CARE International in Cambodia. The project saving programme is a component of CARE Cambodia community saving programme in Battambang province.

The Project was designed in 1998 with the aim to promote economic security of low income households through mobilisation of savings of the members. The Project is implemented through community-based micro-finance organisations by establishment of saving banks at community level.

In 2002, the Project had applied for registration as a non-political association under the name of Cambodian Community Savings Federation (“CCSF” or “the Organisation”) and was recognised as such by the Ministry of Interior through letter No.1248 SCN dated 06 December 2002.

CCSF further obtained a registration from the National Bank of Cambodia (“NBC” or “the Central Bank”) to operate as a micro-finance operator as per the NBC’s letter dated 27 June 2007.

CCSF has 46 employees as at 31 December 2007 (31 December 2006: 53 employees).

## 2. Basis of preparation and aggregation and comparative figures

### 2.1 Basis of preparation

The accounts of CCSF are prepared under the historical cost and accrual basis conventions in accordance with accounting principles generally accepted in the Kingdom of Cambodia.

The presentation of financial statements in conformity with accounting principles generally accepted in the Kingdom of Cambodia requires the Management to make the best estimates and reasonable assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on the information available as of the date of the financial statements. Actual results, therefore, could differ from those estimates.

The accompanying financial statements are prepared for jurisdiction of Cambodia and are not intended to present the financial position and results of operations and cash flows in accordance with generally accepted accounting principles and practice in other countries and those who are not informed about Cambodia’s procedures and practices.



## 2. Basis of preparation and aggregation and comparative figures (continued)

### 2.2 Basis of aggregation

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

### 2.3 Comparative figures

Certain comparative figures have been reclassified or restated whenever necessary to accord with the current year presentation.

## 3 Significant accounting policies

### 3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances and short-term funds which is convertible in cash within one month.

### 3.2 Loans and advances

Loans originated by the Organisation by providing money directly to the borrowers are categorised as loans and advances and are carried at cost, less provisions for impairment.

### 3.3 Provisions for loan losses

Provision for loan impairment is based on NBC guidelines and is made with regard to specific risks on loans individually reviewed and classified as substandard, doubtful or loss regardless of the assets (except cash) lodged as collateral.

NBC guidelines require the following loan classification and level of provisioning:

Classification	Overdue	Rate of provision
Substandard	- More than thirty days	10%
Doubtful	- 60 days and more (original term of up to one year) - 180 days or more (original term of more than one year)	30%
Loss	- 90 days and more (original term of up to one year) - 360 days or more (original term of more than one year)	100%

### 3.4 Interests income

Interests earned on loans and bank saving deposits are recognised on a cash basis.

### 3.5 Interests expense

Interest expense is recognised on an accrual basis.

### 3.6 Property and equipment

Property and equipment is stated at cost less accumulated depreciation.

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

Motorbikes	50% (Straight line)
Office equipment	50% - 100% (Straight line)
IT and computer equipment	50% - 100% (Straight line)

Maintenance and repairs that do not extend the useful lives of assets are expended in the year in which they are incurred.

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

### 3.7 Foreign currency translation

The financial statements are expressed in thousand Khmer Riel ("KHR'000"). At each financial year, assets, liabilities, income and expenses denominated in foreign currencies are converted to Riel using the following annual exchange rates fixed by Management:

	2007
	KHR
1 US Dollar (USD)	4,050
1 Thai Bath (THB)	113

Figures presented in USD are for presentation purposes only.

### 3.8 Other provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligation can be made.

## 4. Cash in hand

	2007		2006
	KHR'000	USD	KHR'000
			(As restated)
Head Office (KHR)	5,865	1,448	1,674
Battambang branch (KHR)	45,112	11,139	90,903
Bavel branch (KHR)	7,673	1,895	3,146
Banteay Meanchey branch (THB)	5,411	1,336	2,537
	<b>64,061</b>	<b>15,818</b>	<b>98,260</b>

## 5. Balances with banks inside Cambodia

	2007		2006
	KHR'000	USD	KHR'000 (As restated)
<b>Savings account:</b>			
Cambodian Public Bank - Head Office (USD)	76,816	18,967	517,557
Acleda Bank - Head Office (KHR)	98,390	24,294	5,787
Acleda Bank - Head Office (THB)	53,877	13,303	70
Acleda Bank - Battambang (KHR)	46,698	11,530	73,164
Acleda Bank - Moung (KHR)	46,690	11,528	6,217
Acleda Bank - Bavel (KHR)	15,762	3,892	31,082
Acleda Bank - Kamreang (KHR)	8,748	2,160	-
Acleda Bank - Banteay Meanchey (THB)	61,993	15,307	122,907
Acleda Bank - Prehnet Preah (THB)	18,274	4,513	-
	<b>427,248</b>	<b>105,494</b>	<b>756,784</b>

Further analysis are as follows:

	2007		2006
	KHR'000	USD	KHR'000
<b>(a) By maturity period:</b>			
Within one month	427,248	105,494	756,784
One month to three months	-	-	-
Four months to six months	-	-	-
Seven months to twelve months	-	-	-
Over one year	-	-	-
	<b>427,248</b>	<b>105,494</b>	<b>756,784</b>

### (b) By currency denomination:

Khmer Riel	216,288	53,405	239,157
US Dollar	76,816	18,967	517,557
Thai Bath	134,144	33,122	70
	<b>427,248</b>	<b>105,494</b>	<b>756,784</b>

	2007	2006
	Per-annum	Per-annum
<b>(c) By interest rate (per annum)</b>		
Cambodian Public Bank	1%	1%
Acleda Bank	4%	4%

## 6. Loans and advances to customers

The Organisation provides loans to two categories of borrowers: (i) Community Based Micro-Finance Organisations, referred to as "CBMIFO" and (ii) individual borrowers, who are the owners of small businesses, referred to as "SME".

	2007		2006
	KHR'000	USD	KHR'000 (As restated)
Loans to CBMIFOs	4,761,995	1,175,801	3,038,031
Loans to SMEs	604,004	149,137	717,322
Accrued interest receivable from loans	-	-	-
	5,365,999	1,324,938	3,755,353
Provisions for doubtful debts - Specific	(137,738)	(34,009)	(24,457)
	<b>5,228,261</b>	<b>1,290,929</b>	<b>3,730,896</b>

### (i) Movements on provisions for impairment are as follows:

	2007		2006
	KHR'000	USD	KHR'000
Balance at 1 January	24,457	6,039	41,006
Addition during the year	244,062	60,262	68,506
Recovery during the year	(114,914)	(28,374)	(45,275)
Written off during the year	(15,867)	(3,918)	(39,780)
Balance at 31 December	137,738	34,009	24,457

### (ii) Further classification is as follows:

	2007		2006
	KHR'000	USD	KHR'000
<b>Standard loans:</b>			
Secured	4,899,504	1,209,754	3,632,350
Unsecured	94,482	23,329	74,471
<b>Sub-standard loans:</b>			
Secured	258,249	63,765	27,007
Unsecured	-	-	-
<b>Doubtful loans:</b>			
Secured	2,644	653	8,221
Unsecured	-	-	-
<b>Loss loans:</b>			
Secured	111,120	27,437	13,304
Unsecured	-	-	-
	<b>5,365,999</b>	<b>1,324,938</b>	<b>3,755,353</b>

## 6. Loans and advances to customers (continued)

(iii) Further analysis of the above loans and advances is provided below:

	2007		2006
	KHR'000	USD	KHR'000
<b>(a) By maturity period:</b>			
Within one month	110,060	27,175	-
One to three months	1,091,521	269,511	-
Four to six months	1,275,849	315,024	94,107
Seven to twelve months	2,092,510	516,669	2,977,604
Over one year but within three years	627,816	155,016	683,642
Over three years but within five years	143,405	35,409	-
No fixed maturity date	24,838	6,134	-
	<u>5,365,999</u>	<u>1,324,938</u>	<u>3,755,353</u>
<b>(b) By branch:</b>			
Battambang branch	3,274,450	808,507	2,388,884
Banteay Meanchey branch	963,023	237,783	713,705
Bavel branch	1,128,526	278,648	652,764
	<u>5,365,999</u>	<u>1,324,938</u>	<u>3,755,353</u>
<b>(c) By security:</b>			
Secured	5,271,517	1,301,609	3,680,882
Unsecured	94,482	23,329	74,471
	<u>5,365,999</u>	<u>1,324,938</u>	<u>3,755,353</u>
<b>(d) By currency denomination:</b>			
US Dollar	-	-	-
Thai Bath	963,022	237,783	713,705
Khmer Riel	4,402,977	1,087,155	3,041,648
	<u>5,365,999</u>	<u>1,324,938</u>	<u>3,755,353</u>
<b>(e) By status of residence:</b>			
Residents	<u>5,365,999</u>	<u>1,324,938</u>	<u>3,755,353</u>
<b>(f) By relationship:</b>			
Related parties	-	-	-
Non related parties	5,365,999	1,324,938	3,755,353
	<u>5,365,999</u>	<u>1,324,938</u>	<u>3,755,353</u>



## 6. Loans and advances to customers (continued)

	2007		2006
	KHR'000	USD	KHR'000
<b>(g) By economic sectors:</b>			
Agriculture	2,644,048	652,852	1,875,602
Construction	63,629	15,711	16,441
Household/Family	184,255	45,495	130,110
Services	354,190	87,454	421,925
Trade and Others	2,119,877	523,426	1,311,275
	<b>5,365,999</b>	<b>1,324,938</b>	<b>3,755,353</b>

## 7. Property and equipment

	Motorbikes	Office equipment	IT & computer equipment	Total
<b>Cost</b>	<b>KHR'000</b>	<b>KHR'000</b>	<b>KHR'000</b>	<b>KHR'000</b>
At 1 January 2007	-	-	528	528
Additions	10,045	2,986	3,806	16,837
Disposals	-	-	-	-
At 31 December 2007	<b>10,045</b>	<b>2,986</b>	<b>4,334</b>	<b>17,365</b>
<b>Accumulated depreciation</b>				
At 1 January 2007	-	-	-	-
Charges for the year	2,089	1,172	3,061	6,322
Disposals	-	-	-	-
At 31 December 2007	<b>2,089</b>	<b>1,172</b>	<b>3,061</b>	<b>6,322</b>
<b>Net book value</b>				
At 31 December 2007	<b>7,956</b>	<b>1,814</b>	<b>1,273</b>	<b>11,043</b>
<b>Equivalents in USD</b>				
<b>Cost</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
At 1 January 2007	-	-	131	131
Additions	2,480	737	940	4,157
Deposals	-	-	-	-
At 31 December 2007	<b>2,480</b>	<b>737</b>	<b>1,071</b>	<b>4,288</b>

(Continued)

## 7. Property and equipment (continued)

Equivalents in USD	Motorbikes	Office equipment	Computer & IT equipment	Total
<b>Accumulated depreciation</b>	USD	USD	USD	USD
At 1 January 2007	-	-	-	-
Charges for the year	517	289	756	1,562
Disposals	-	-	-	-
At 31 December 2007	<u>517</u>	<u>289</u>	<u>756</u>	<u>1,562</u>
<b>Net book value</b>				
<b>At 31 December 2007</b>	<u><b>1,963</b></u>	<u><b>448</b></u>	<u><b>315</b></u>	<u><b>2,726</b></u>

## 8. Other assets

	2007 KHR'000	USD	2006 KHR'000 (As restated)
Stock of office supplies	26,974	6,660	-
Prepaid expenses	25,690	6,343	44,596
Other receivables	420	104	77,878
	<u><b>53,084</b></u>	<u><b>13,107</b></u>	<u><b>122,474</b></u>

## 9. Deposits of borrowers/members

	2007 KHR'000	USD	2006 KHR'000 (As restated)
CBMIFO savings:			
Voluntary savings	191,266	47,226	135,259
Compulsory savings	131,598	32,493	68,336
Demand savings	61,163	15,102	59,738
	<u>384,027</u>	<u>94,821</u>	<u>263,333</u>
SMEs savings:			
Voluntary savings	2,294	566	11,361
Compulsory savings	91,296	22,542	91,242
Demand savings	-	-	-
Promissory notes	31,817	7,856	-
Capital build up	60,813	15,017	63,712
	<u>186,220</u>	<u>45,981</u>	<u>166,315</u>
	<u><b>570,247</b></u>	<u><b>140,802</b></u>	<u><b>429,648</b></u>

## 9. Deposits of borrowers/members (continued)

### Voluntary savings deposits:

Voluntary savings is provided to only SME members and CBMIFOs. Opening an account requires a minimum initial deposit of KHR 50,000 or THB 500. The deposits can be withdrawn on demand but the minimum balance should remain at KHR 50,000 or THB 500. Otherwise, the account is considered as "Closed".

### Compulsory savings:

As per the Organisation's "Capitalization Policy" version 6 December 2003, the final borrowers, who are the selected members of CBMIFO, are required to place deposits of KHR 5,000 or THB 50 for initial opening of savings account and further placing monthly deposits of KHR 5,000 or THB 50 until at least the loans have been fully settled. This savings will be kept in the compulsory savings until customer's withdrawal – it is not transferred to voluntary savings deposits.

### Demand savings:

Demand savings is provided to enhance liquidity management of the CBMIFOs.

The deposits can be withdrawn at its maturity dates for SMEs depositors and on demand for CBMIFO members.

### Promissory notes:

As per the Organisation's policy, a "Promissory Note" value is at least KHR 500,000. There are three types of promissory notes, with 3 month term, 6 month term and one year term respectively. A promissory note can be redeemed at its maturity date, failing which; its maturity date will be automatically extended.

### Capital build up:

As per the Organisation's policy, a SME borrower who has been provided credit facility above KHR 500,000 is required to maintain a deposit called "Capital Build Up", amounting to at least 5% of the approved facility. Regardless of the tenure of the loan, the term of capital build up deposit shall be a three-year period.

	2007		2006
(i) Movements of savings are as follows:	KHR'000	USD	KHR'000
Balance at 1 January	429,648	106,086	242,829
Addition during the year	591,709	146,101	369,584
Withdrawal during the year	<u>(451,110)</u>	<u>(111,385)</u>	<u>(182,765)</u>
Balance at 31 December	<u>570,247</u>	<u>140,802</u>	<u>429,648</u>

(Continued)

## 9. Deposits of borrowers (continued)

(ii) Further classification is as follows:	2007		2006
	KHR'000	USD	KHR'000
(a) By currency denomination:			
Khmer Riel	463,893	114,542	387,051
US Dollar	15,807	3,903	-
Thai Bath	90,547	22,357	42,597
	<u>570,247</u>	<u>140,802</u>	<u>429,648</u>
(b) By maturity period:			
Within one month	259,615	64,103	206,358
One to three months	5,265	1,300	-
Four to six months	-	-	-
Seven to twelve months	-	-	-
More than twelve months	305,367	75,399	223,290
	<u>570,247</u>	<u>140,802</u>	<u>429,648</u>

These saving accounts are serving the following interest rates per annum:

	2007 Per annum	2006 Per annum
CBMIFO savings:		
Voluntary savings	3% - 4%	3% - 4%
Compulsory savings	6% - 8%	6% - 8%
Demand savings	1.50%	1.50%
SME savings:		
Voluntary savings	3%	3%
Compulsory savings	6%	6%
Demand savings	2%	2%
Promissory notes	3% - 10%	3% - 10%
Capital build up	7%	7%

## 10. Loan protection and life savings

	2007		2006
	KHR'000	USD	KHR'000
Balance as at 01 January	231,684	57,206	122,065
Additions during the year	193,938	47,886	134,025
Repayments to customers during the year	<u>(51,810)</u>	<u>(12,793)</u>	<u>(24,405)</u>
<b>Balance as at 31 December</b>	<b><u>373,812</u></b>	<b><u>92,299</u></b>	<b><u>231,685</u></b>

## 10. Loan protection and life savings (continued)

Further analysis are as follows:	2007		2006
	KHR'000	USD	KHR'000
Head Office	59,754	14,754	59,754
Battambang branch	203,257	50,187	117,132
Bavel branch	61,637	15,219	32,310
Banteay Meanchey branch	49,164	12,139	22,489
	<b>373,812</b>	<b>92,299</b>	<b>231,685</b>

Loan protection and life savings ("LPLS") is a programme aimed at reducing the burden of the family of a deceased member by eliminating the dept heritage. This programme will secure the savings of the members, minimise financial risks and enhance solidarity in the community. This fund is collected from CBMIFO to support LPLS programme on a monthly basis at rate of 0.2% of the savings balance in the current month plus previous month loan balance. LPLS funds will be paid for funeral contribution and claims from individual members of the CBMIFOs in accordance with the LPLS policy.

## 11. Amounts due to saving bank members

	2007		2006
	KHR'000	USD	KHR'000
Saving bank members Battambang branch	37,930	9,365	30,890
Saving bank members Banteay Meanchey branch	9,095	2,246	5,438
Saving bank member Bavel branch	13,450	3,321	10,250
	<b>60,475</b>	<b>14,932</b>	<b>46,578</b>

Movements of amounts due to saving bank members are as follows:

	2007		2006
	KHR'000	USD	KHR'000
Balance as at 01 January	46,578	11,501	40,127
Addition during the year:			
Battambang branch	7,040	1,738	(50)
Banteay Meanchey branch	3,657	903	3,301
Bavel branch	3,200	790	3,200
<b>Balance as at 31 December</b>	<b>60,475</b>	<b>14,932</b>	<b>46,578</b>

As per the Organisation's capitalisation policy, saving bank members are required to pay an anticipated capital contribution to CCSF in order to obtain annual credit facilities. The Organisation intends to convert this anticipated capital contribution to paid-up capital upon transformation of the Organisation's status to a licenced micro-finance institution. This amount can be withdrawn when the savings bank ceases operations or resigns from membership with CCSF.



## 12. Other liabilities

	2007		2006
	KHR'000	USD	KHR'000 (As restated)
Accounts payable	-	-	73,281
Accrued professional fees	18,225	4,500	-
Staff severance benefits	124,232	30,673	98,133
Annual bonus	46,267	11,424	38,872
Staff medical benefits	529	131	335
Annual leave	23,134	5,712	23,908
Withholding tax on salary	22,571	5,573	22,571
Service fee payable	20	5	-
	<b>234,978</b>	<b>58,018</b>	<b>257,100</b>

## 13. Long term borrowings

	2007		2006
	KHR'000	USD	KHR'000 (As restated)
Rabo Bank - interest bearing	760,927	187,882	508,158
Credit Union Foundation Austria Limited (CUFA)	373,673	92,265	300,068
	<b>1,134,600</b>	<b>280,147</b>	<b>808,226</b>

	2007		2006
	KHR'000	USD	KHR'000
Further analysis are as follows:			
Balance as at 01 January	808,226	199,562	-
Movements during the year:			
Proceeds from borrowings	303,394	74,912	808,226
Repayments	(50,625)	(12,500)	-
Re-allocation from grant income	70,568	17,424	-
Re-allocation from subordinated debt	3,037	749	-
Balance as at 31 December	1,134,600	280,147	808,226

The borrowings are charged interests at the following rates per annum:

	2007	2006
	% p. a	% p. a
Rabo Bank - interest bearing	5%	5%
Credit Union Foundation Austria Limited (CUFA)	N/A	N/A

#### 14. Project seed capital

	2007		2006
	KHR'000	USD	KHR'000
Project seed capital under CUFA funds	83,365	20,584	68,107
Project seed capital under AusAID funds	866,456	213,941	866,456
	<b>949,821</b>	<b>234,525</b>	<b>934,563</b>

Further analysis are as follows:

	2007		2006
	KHR'000	USD	KHR'000
Balance as at 01 January	934,563	230,758	934,563
Addition during the year	-	-	-
Re-allocation from previous year	15,258	3,767	-
	<b>949,821</b>	<b>234,525</b>	<b>934,563</b>

This represents fund received (On-Lending Fund) from several donors in order to cover CCSF's lending programme. The Organisation intends to convert this project seed capital to paid-up capital upon transformation of the Organisation's status to a licenced micro-finance institution.

#### 15. Subordinated debts

	2007		2006
	KHR'000	USD	KHR'000
WOOCU	-	-	6,081
CUFA	-	-	105,369
ACCU	-	-	8,191
CCA	861	213	40,525
Agriterra	6,222	1,536	599
	<b>7,083</b>	<b>1,749</b>	<b>160,765</b>

	2007	
Movements of subordinated debts are as follows:	KHR'000	USD
Balance as at 01 January	160,765	39,695
Fund transferred from donors	297,677	73,500
Interest received from placement with banks	569	140
Transfer to grant income	(433,040)	(106,923)
Adjustment to long term borrowings - CUFA	(3,038)	(750)
Adjustment to Project seed capital fund - CUFA	(15,258)	(3,767)
Difference in exchange rates	(592)	(146)
	<b>7,083</b>	<b>1,749</b>

## 16. Interest income

Interest income was made from the following sources:

	2007		2006
	KHR'000	USD	KHR'000
Deposits and placements with banks	10,327	2,550	8,248
Loans and advances	1,226,404	302,816	744,124
	<b>1,236,731</b>	<b>305,366</b>	<b>752,372</b>

## 17. Interest expense

	2007		2006
	KHR'000	USD	KHR'000
Interest expense on savings	29,424	7,265	16,530
Interest expense on borrowings	38,264	9,448	6,988
	<b>67,688</b>	<b>16,713</b>	<b>23,518</b>

## 18. Non-interest income

	2007		2006
	KHR'000	USD	KHR'000 (As restated)
Member entrance fees	213	53	-
Penalties fees	11,680	2,884	-
Sales of stationeries	84,398	20,839	68,783
Gain on exchange rate	-	-	4,321
Translation reserve recognised as income	71,153	17,569	-
Others	27,395	6,764	26,215
	<b>194,839</b>	<b>48,109</b>	<b>99,319</b>

## 19. Payroll and other staff costs

	2007		2006
	KHR'000	USD	KHR'000
Salaries	492,457	121,594	532,510
Staff medical benefits	15	4	113
Staff severance benefits	77,865	19,226	76,638
Annual leave	4	1	583
	<b>570,341</b>	<b>140,825</b>	<b>609,844</b>

## 20. Other operating expenses

	2007		2006
	KHR'000	USD	KHR'000
Insurance expenses	2,952	729	3,457
Training/workshop and conference	47,953	11,840	69,757
Office rental	69,814	17,238	50,487
Vehicles rental	14,580	3,600	-
Utilities expenses	22,999	5,679	33,336
Repair and maintenances	15,031	3,711	8,368
Office supplies and stationeries	12,241	3,022	20,902
Fuel and gasoline expenses	23,192	5,726	21,253
Travelling expenses	11,402	2,815	10,524
Communication expenses	14,380	3,551	15,504
Professional fees	27,338	6,750	5,690
Affiliation fees	4,050	1,000	-
Annual general meeting	1,748	432	216
Litigation fees	2,885	712	-
Social service fees	881	218	578
IEC expenses	48,245	11,912	4,653
LPLS premium expenses	18,343	4,530	-
Bank charge	3,836	947	2,812
Other expenses	915	226	86,452
	<b>342,785</b>	<b>84,638</b>	<b>333,989</b>

## 21. Grant income

	2007		2006
	KHR'000	USD	KHR'000 (As restated)
WOOCU	6,059	1,496	108,115
AusAID through CARE Australia	-	-	58
CUFA	16,307	4,026	334,030
ACCU	8,209	2,027	97,459
CCA	98,584	24,342	187,728
Agriterra	233,313	57,608	212,191
	<b>362,472</b>	<b>89,499</b>	<b>939,581</b>