

ANNUAL REPORT



2008

## 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
1.4.1 Board of Director.....	6
1.4.2 Internal Audit Committee:.....	6
1.4.3 CCSF Senior Management Team:.....	7
1.4.4 Branch Managers: .....	8
2. OPERATIONAL ACHIEVEMENT .....	9
2.1 CBMIFO level:.....	9
2.1.1 Building CBMIFO’s Directors & Management Competencies:.....	9
2.1.2 Annual General Meeting: .....	9
2.1.2 Annual General Meeting: .....	9
2.1.3 In-country cross visit: .....	10
2.1.4 Development of Annual Operating Plan & operating policies:.....	10
2.1.4 Development of Annual Operating Plan & operating policies:.....	11
2.1.5 Monitoring and internal audit:.....	11
2.2 Federation level:.....	12
2.2.1 Building CCSF staff competencies: .....	12
2.2.2 Annual General Meeting: .....	12
2.2.3 Development of Annual Operating plan: .....	12
2.2.4 Internal Control Systems: .....	13
3. PERFORMAMCE OUTPUTS .....	14
3.1 Geographical coverage: .....	14
3.2.Outreach: .....	15
3.3. Portfolio of CBMIFO’s movement:.....	15
3.4 Summary key financial highlight of CBMIFO’s movement: .....	16
3.5 Portfolio of the Federation (CCSF):.....	16
3.6 Loan Protection & Life Saving Program .....	16
3.7 Summary CCSF key Operational & financial highlights.....	17
3.8 Comparative CCSF financial highlights: .....	18
4. Future Plan .....	19
REPORT OF INDEPENDENT AUDITORS TO THE MANAGEMENT.....	21

# 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 thrift 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:

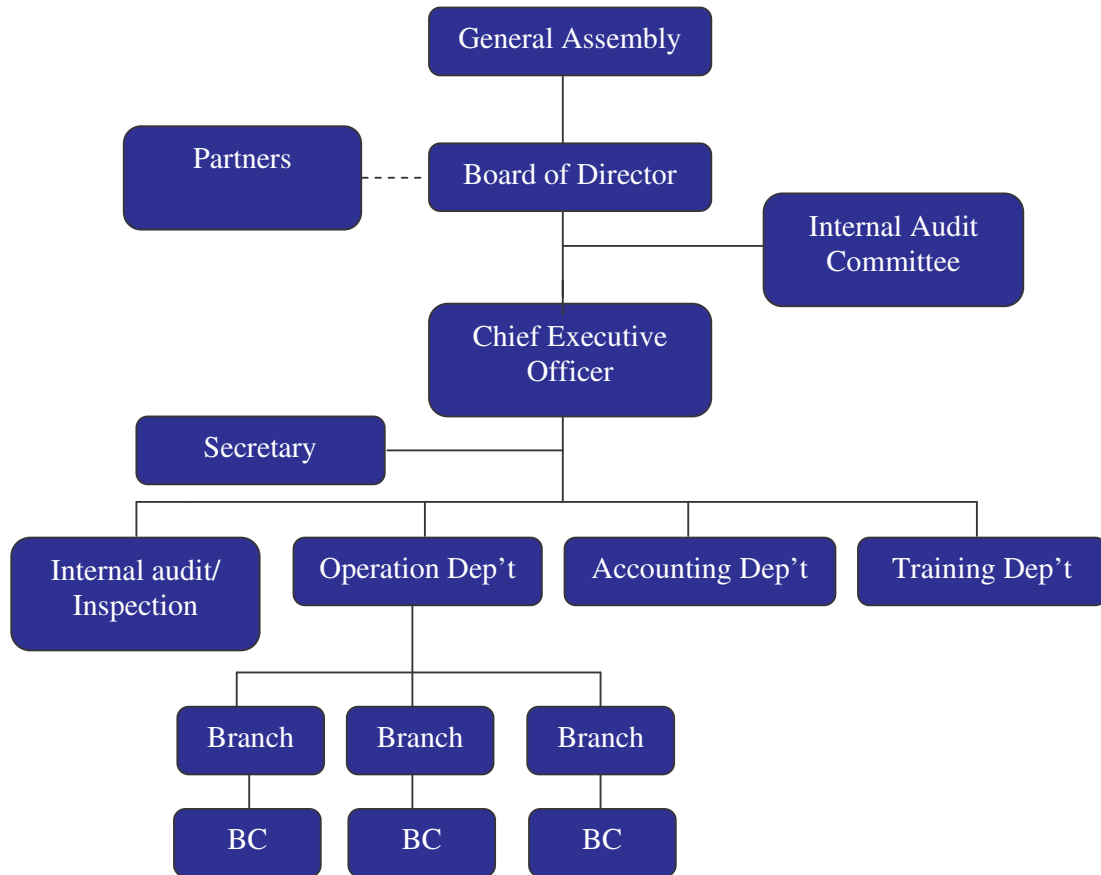
Table below demonstrates progressive evolution of CCSF from 1998 to date.

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> </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> <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>
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 6<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:



##### **1.4.1 Board of Director**

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

##### **1.4.2 Internal Audit Committee:**

The internal audit committee comprises of 3 members: 1) Chairman of BoD; 2) Chief Executive Officer; and Manager of Internal Audit Department. The committee meets every two months.

### 1.4.3 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. The department managers are formed a Senior Management Team. Short biography of the Senior Management Team is as below.



Ms. Phal Pisey, Chief Executive Officer, and the founder of CCSF. She was a project coordinator and project manager of Small Economic Activity Development (SEAD) of CARE Cambodia, who initiated saving mobilization program since January 1998. She graduated Russian language in 1989 at Phnom Penh University. She attended several courses of training on Credit management in-country and abroad, and Credit Union Management in abroad. In January 2003, she initiated transformation of the project into a Community Based Micro-Finance Organization.



Mr. Meas Thon, Manager of Operation Department, second in charge of CCSF, and the founder of CCSF. He graduated BBA in Human Resource Management at the Institute of Management and Economics (IME) in 2003. He has worked for CCSF since 1998 as a senior trainer and been promoted as a Manager of Operational Department since 2002. He attended several courses of training on Credit Union Management in abroad. He has many experiences in training field with International & Local NGOs.



Mrs. Nget Ny, Manager of Accounting & Administration Department. She graduated BBA in 2002 at National Institute of Management (NIM). She has worked for CCSF since 2004 as an accountant and been promoted as a Manager of Accounting & Administration Department in 2006. She attended several courses of training, accounting, financial management, and related courses to this field. She has many experiences in this field with International NGO.



Mr. Diep Kitya, Manager of Internal Audit Department. He graduated BBA major in Management at National Institute of Management (NIM) in 2004. He has worked for CCSF since 2006 as an Internal Auditor. He has been promoted as a Manager of Internal Auditor in 2009. He attended several courses of training on Credit Union Management and internal audit procedures in the country. He has experiences in micro-credit field with local NGO.

#### **1.4.4 Branch Managers:**

The financial services provided to the member organizations (CBMIFOs) are directly managed by the Branch Managers. Short biography of the Branch Managers is as below.



Mrs. Chea Chanda, Branch Manager, Battambang Branch. She is one of the founders of CCSF. She obtained BBA in Management in 2003 at Institute of Management and Economics (IME), and graduated pedagogy of primary school 1995. She has worked for CCSF since 1998 as a Member Service Officer and been promoted as a Branch Manager in 2005. She attended several courses of training on Credit Union Management in the country and abroad.



Mr. Eng Kunthy, Branch Manager, Bavel Branch. He graduated high school. He has worked for CCSF since 2000 as a senior Member Service Officer and been promoted as a Branch Manager in 2005. He attended several courses of training on Credit Union Management in the country and abroad. He has many experiences in community development, especially micro-credit more than 10 years with Local NGO.



Mr. Chun Seng, Branch Manager, Banteay Meanchey Branch. He graduated BBA major in Human Resource Management at University of Management and Economics (UME) in 2006. He has worked for CCSF since 2005 as a Loan Officer and been promoted as a Deputy Branch Manager in 2006, He has been promoted as a Branch Manager in 2008. He attended several courses of training on Credit Union Management in the country and abroad. He has experience in accounting field with local NGO, and loan management with ACLEDA bank.



## 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.

During the reporting period, there are five courses of advanced training provided to member organizations, participated by 215 trainees, among those, 75 are female leaders and employees. The training courses include:

- Leadership development: 2 courses
- Good loan management: 1 course
- Effective monitoring tools: 1 course
- Risk management: 1 course

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 441 volunteers, of which 197 are female are elected by the AGM. Among those, there are 140 BoD members, 52 are female; 72 SC members, 31 are female; 21 Executive member, 9 are female, elected by the AGM.

There are 208 Credit Committee members, 105 are female, appointed by the BoD. The appointment of the CC members may depend on the scope of the operation of each CBMIFO.

182 employees, of which 109 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 issues that may arise.



### 2.1.3 In-country cross visit:

CCSF was requested by Credit Union League of Taiwan (CULROC) to make interaction with two Credit Unions from its networks, while visiting Cambodia.

The objective of the meeting is to exchange information and experiences of CU movement in Cambodia and Taiwan, while building friendship between CCSF and Credit Unions in Taiwan.

CCSF has also hosted several study visits for development partners to visit the program: ACCU, Etimos, and Agriterra.



An inauguration of new office of one of the CBMIFOs "**Samaky Pheap**" has been conducted, presided over by H.E. El Soy, Deputy Provincial Governor. More than 500 attendees participated in the event.



Mr. Anne Kloosterman, CCSF consultant, has been invited to participate in the ceremony on behalf of the Rabobank Foundation.

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 voluntarily support the CBMIFOs towards financial viability.



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

#### **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.

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:**

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 BoD of 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 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 training on new accounting policy & procedures and practical practices in the accounting system is provided to the branch managers, business center managers and all accountants.

This training course is also provided to the internal auditors as to provide guidance of the changes of the policies to ease when reviewing the internal control system of the Head office and the branches.

One course of advanced training on Credit Union Management has been conducted, participated by 11 new recruited staff. The objective of the training is to build capacity of the new recruited staff in functioning efficient and effective advisory roles for the member organizations.

Staff also sent to abroad to attend CEO workshop and Asian Credit Union Forum 2008 in Bangladesh.



### **2.2.2 Annual General Meeting:**

Seventh Annual General Meeting has been conducted on 26 June 2008, participated by 30 delegates, 28 regular members and 2 affiliate members. Members of the BoD have been elected by the AGM.

### **2.2.3 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 2009 annual plan.

Simultaneously, the workshop has been extended for two days to introduce effective monitoring tools to the staff. It is expected that staff will be able to conduct effective monitoring the operation of the CBMIFOs, and make recommendations for improvement as per necessary.

#### **2.2.4 Internal Control Systems:**

CCSF has received technical assistance from its development partner, Rabobank Foundation, to review internal control systems of CCSF and the CBMIFOs. A guideline of internal audit to the CBMIFOs and guideline for internal control for CCSF have been developed. Internal audit staff has been trained and coached to conduct internal audit to CBMIFO "Omal" as to practice the guideline.

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.



## 3. PERFORMANCE OUTPUTS

### 3.1 Geographical coverage:

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

#### Number of village and communes:

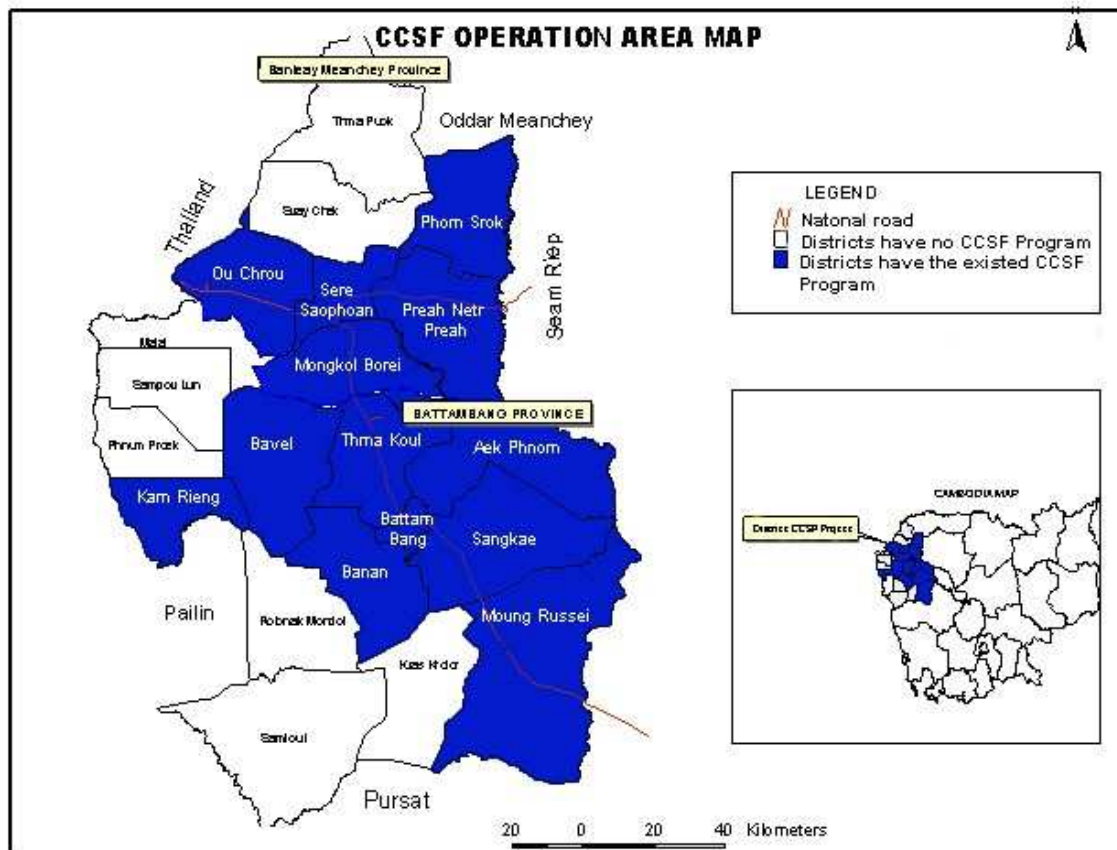
- 56 communes,
- 313 villages

#### District name in Banteay Meanchey

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

#### Number of village and communes:

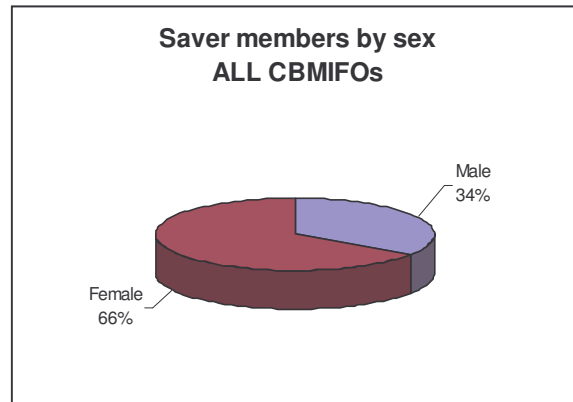
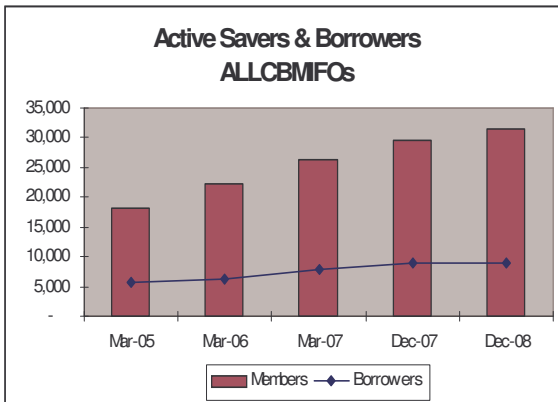
- 25 communes,
- 114 villages



### 3.2. Outreach:

As at 31 December 2008, there are 34 active CBMIFOs with 31,481 individual active saver members, of which 20,669 members, which is 66% are female. The statistic of the CBMIFO seems decline, as two CBMIFOs have been merged with the larger CBMIFOs, however, there is no decrease in number of membership. From March 2005-December 2008, an average growth of saver membership is 16%, however, there is 6% growth of membership in the FY Dec 2007- Dec 2008<sup>1</sup>.

Among those, there are 8,951 active borrowers, of which 6,426 are female, who have borrowed loans from the CBMIFOs for setting up and improving their businesses.

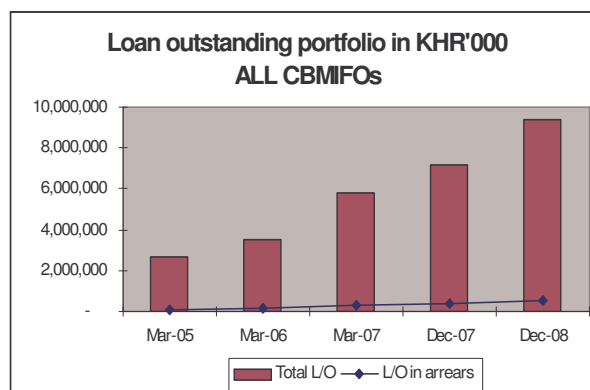
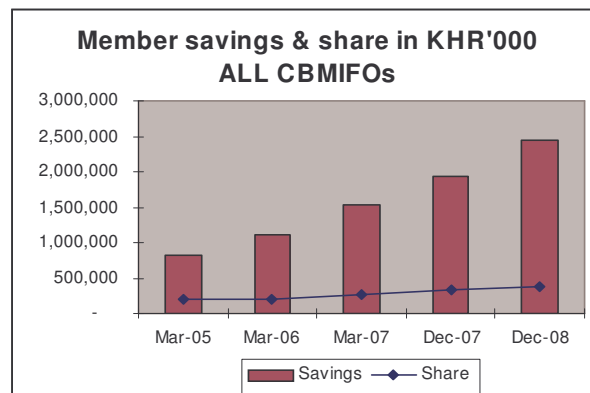


### 3.3. Portfolio of CBMIFO's movement:

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 2005 to December 2008, there is an average growth of savings at 33%, share at 19%, and loan outstanding at 44%. However, in FY Dec'07-Dec'08, there is 25% growth in member's savings, 16% growth in member's share, and 32% growth in loan outstanding.

As at Dec 2008, Delinquency ratio is 4.10% and PAR ratio is 5.37%.



<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:

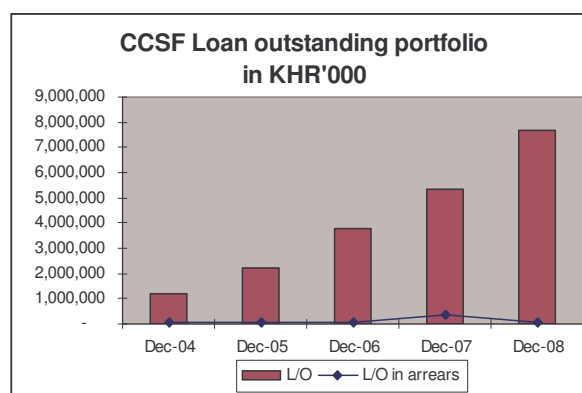
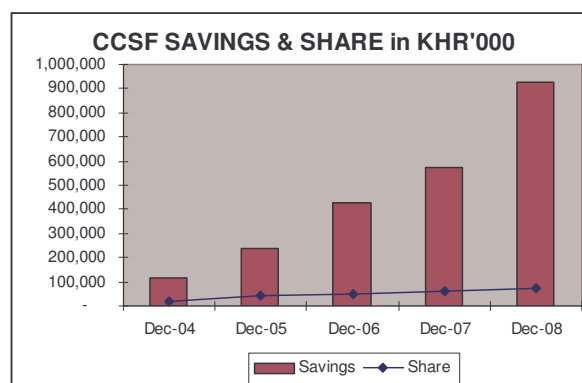
Key Indicators Amount in KHR'000	Dec-08	Dec-07	Mar-07	Mar-06	Mar-05
Number of saver members	31,481	29,672	26,333	22,314	18,262
Amount member's savings	2,436,353	1,942,372	1,522,837	1,109,360	832,372
Amount member's share	379,921	327,014	269,337	210,604	209,376
Value of loan outstanding balance	9,424,222	7,156,032	5,777,652	3,545,166	2,642,717
Value of loan outstanding in arrears	505,738	389,591	295,476	131,235	87,392
Value of payment in arrears	386,312	377,568	291,060	124,509	79,093
Number of borrowers	8,951	8,957	7,769	6,253	5,519
Delinquency ratio	4.10%	5.28%	5.04%	3.51%	2.99%
Portfolio at risk ratio	5.37%	5.44%	5.11%	3.70%	3.31%
Average saving/ member	77	65	57	49	45
Average loan amount / borrower	1,053	798	743	567	478

### 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 2008, CCSF has collected savings amounting 928,340,000 Riels and granted loan to the members amounting 7,673,918,000 Riels for 4 main purposes: Productivity loans 80.21%, Liquidity Loan 0.31%, Institutional loan 4.10%, and Individual loan 15.38%.

Compared from Dec 2004 to Dec 2008 there is an average growth of savings at 111%, share at 74%, and loan outstanding at 58%. However, in the FY 2008, there is 63% growth of member's savings, 20% growth of member's share, and 43% growth of loan outstanding.

The delinquency ratio is 0.55%, while the portfolio at risk ratio is 0.64%.



### 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 and potential 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 2008, 31,106 members have availed CCSF LPLS program.

From year to year, the number of death is increasingly. The reason of death is mostly from illness and accident. In FY 2008, there is 35.82% of loan claims, 45.69% of savings claims, 18.06% of funeral contribution, and 0.43% of bonus claim.

Compared from Dec 2007-Dec 2008, there is increase of claims of all products at 32%, however, an increase by products is as below:

- Loan: 4%
- Savings: 83%
- Funeral contribution: 13%
- Bonus: 145%

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 entitled 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 entitled to bonus.

The members satisfy the program, as when death occurs the debt heritage will not be handed over to their next generation. Furthermore, without the head of the household, the family members will be able to continue to survive with the benefits of the LPLS program.

### **3.7 Summary CCSF key Operational & financial highlights**

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

<b>Key Indicator</b> Amount in KHR'000	<b>Dec-08</b>	<b>Dec-07</b>	<b>Dec-06</b>	<b>Dec-05</b>	<b>Dec-04</b>
Number of CBMIFOs	36	37	36	38	38
Number of groups	2,324	2,255	1,987	1,754	-
Number of LPLS members	31,106	28,982	24,490	21,196	15,595
Number of death/claims	278	246	173	154	123
Total amount of claims:	69,020	51,810	24,404	18,931	18,259
- amount of loan claims	24,874	23,545	6,521	6,972	8,038
- amount of savings claims	31,414	17,143	10,663	5,878	4,120
- amount of funeral contributions	12,438	11,002	7,219	6,080	6,100
- amount of bonus claims	294	120	-	-	-
Amount of member's savings	928,340	570,246	429,648	240,822	115,316
Amount of member's share	72,302	60,475	46,578	40,127	20,361
Value of gross loan outstanding balance	7,673,918	5,365,999	3,755,352	2,241,444	1,209,232
Value of loan outstanding balance in arrears	49,162	379,740	63,854	72,357	38,950
Value of payment in arrears	42,210	48,133	32,503	49,218	18,159
Delinquency ratio	0.55%	0.90%	0.87%	2.20%	1.50%
Portfolio at risk ratio	0.64%	7.08%	1.70%	3.23%	3.22%

### 3.8 Comparative CCSF financial highlights:

Amount in KHR'000	December		Amount of variation	% of increase
	2008	2007		
Total asstes	8,171,408	5,783,697	2,387,711	41%
Savings	928,340	570,247	358,093	63%
Share	72,302	60,475	11,827	20%
Gross Loan Outstanding	7,673,918	5,365,999	2,307,919	43%
Gross income	1,812,627	1,431,570	381,057	27%
Operating costs	1,169,640	919,448	250,192	27%
Financial costs & Provision for loss	183,130	196,836	-13,706	-7%
Operating income/loss	459,857	315,286	144,571	46%



## 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 loan documents,
- Edit and test saving and loan data base,
- Translate & finalize internal audit and internal control manuals,
- Conduct advanced training for the member organizations,
- Conduct semi-annual internal financial inspection of all CBMIFOs and branches,
- Hold annual review workshop,
- Hold CCSF AGM and conduct in-country cross visit,
- 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 2009-2010,
- Loan fund raising,
- Review CCSF staff policy and CBMIFO staff policy,
- Put the accounting system into practice at all branches,
- Design patronage fund policy,
- Develop internal control training materials, and deliver training to internal control officers,
- Introduce merging methodology to small CBMIFOs,
- Strengthen the governance of the CBMIFOs,
- Engage the private firm to conduct audit for the year 2009.

## 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  
19 August 2009

A handwritten signature in blue ink, appearing to be 'Nget Ny', is written on the page.

Ms. Nget Ny  
Account/Admin Manager  
19 August 2009



## **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 2008, 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 and International 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 2008 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 10 to the financial statements which indicates that the Organisation is providing loan protection and life savings to its borrowers. It is unclear whether this particular product is within the scope of activities of the Organisation.

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.


Key Kak  
Managing Partner

**Morison Kak & Associés**  
Certified Public Accountants  
Registered Auditors

19 August 2009

## BALANCE SHEET AS AT 31 DECEMBER 2008

		2008		2007
	Notes	KHR'000	USD	KHR'000
<b>ASSETS</b>				
Cash in hand	4	63,394	15,534	64,061
Balances with banks inside Cambodia	5	390,514	95,690	427,248
Loans and advances to customers	6	7,636,099	1,871,134	5,228,261
Property and equipment	7	9,735	2,386	11,043
Other assets	8	71,666	17,561	53,084
<b>TOTAL ASSETS</b>		<b>8,171,408</b>	<b>2,002,305</b>	<b>5,783,697</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Deposits of borrowers/members	9	928,340	227,479	570,247
Loan protection and life savings	10	564,709	138,375	373,812
Amounts due to saving bank members	11	72,302	17,717	60,475
Other liabilities	12	338,231	82,878	234,978
<b>TOTAL LIABILITIES</b>		<b>1,903,582</b>	<b>466,449</b>	<b>1,239,512</b>
<b>LONG TERM BORROWINGS</b>	13	<b>2,370,910</b>	<b>580,963</b>	<b>1,134,600</b>
<b>FUND BALANCE</b>				
Opening balance		86,720	21,251	86,720
Project seed capital	14	949,821	232,742	949,821
Subordinated debts	15	-	-	7,083
Net profit for the year		494,414	121,150	677,758
Accumulated earnings from prior years		2,365,961	579,750	1,688,203
<b>TOTAL FUND BALANCE</b>		<b>3,896,916</b>	<b>954,893</b>	<b>3,409,585</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>		<b>8,171,408</b>	<b>2,002,305</b>	<b>5,783,697</b>

Signed and authorised for release on behalf of the Management.



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

19 August 2009

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

19 August 2009

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



## STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2008

		2008		2007
	Notes	KHR'000	USD	KHR'000
Interest income	16	1,557,779	381,715	1,236,731
Interest expense	17	<u>(143,922)</u>	<u>(35,266)</u>	<u>(67,688)</u>
<b>Net interest income</b>		<b>1,413,857</b>	<b>346,449</b>	<b>1,169,043</b>
Non-interest income	18	254,848	62,448	194,839
Payroll and other staff costs	19	(702,608)	(172,166)	(570,340)
Depreciation expense		(16,879)	(4,136)	(6,321)
Other operating expenses	20	<u>(450,153)</u>	<u>(110,305)</u>	<u>(342,785)</u>
<b>Operating profit before provision for impairment</b>		<b>499,065</b>	<b>122,290</b>	<b>444,434</b>
Provision for impairment losses		<u>(39,208)</u>	<u>(9,608)</u>	<u>(129,148)</u>
<b>Net profit before grant income</b>		<b>459,857</b>	<b>112,682</b>	<b>315,286</b>
Grant income	21	<u>34,557</u>	<u>8,468</u>	<u>362,472</u>
<b>Net profit for the year</b>		<b><u>494,414</u></b>	<b><u>121,150</u></b>	<b><u>677,758</u></b>

Signed and authorised for release on behalf of the Management



**Ms. Phal Pisey**  
Chief Executive Officer

19 August 2009

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

19 August 2009

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

## STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2008

	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 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>
Balance at 1 January 2008	86,720	949,821	-	7,083	2,365,961	3,409,585
Subordinated debts (note 15)	-	-	-	(7,083)	-	(7,083)
Net profit for the year	-	-	-	-	494,414	494,414
<b>Balance as at 31 December 2008</b>	<b>86,720</b>	<b>949,821</b>	<b>-</b>	<b>-</b>	<b>2,860,375</b>	<b>3,896,916</b>
<i>(Equivalent in US Dollar)</i>	<b>21,250</b>	<b>232,742</b>	<b>-</b>	<b>-</b>	<b>700,900</b>	<b>954,892</b>

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008

	2008		2007
	KHR'000	USD	KHR'000
<b>Cash flows from operating activities</b>			
Profit before income tax	494,414	121,150	677,758
<i>Adjustments for:</i>			
Depreciation of property and	16,879	4,136	6,321
Provisions for impairment losses	39,208	9,608	129,148
Re-allocation and provision for	-	-	73,604
Re-allocation of subordinated debts	(34,556)	(8,468)	(451,928)
Operating profit before changes in	515,945	126,426	434,903
Increase/(decrease) in cash attributable changes in working assets and			
Loans and advances	(2,447,046)	(599,619)	(1,626,513)
Other assets	(18,582)	(4,553)	69,390
Deposits of borrowers/members	358,093	87,746	140,599
Loan protection and life savings	190,897	46,777	142,127
Amounts due to saving bank	11,827	2,898	13,897
Other liabilities	103,253	25,301	(22,122)
<b>Net cash used in operating activities</b>	<b>(1,285,613)</b>	<b>(315,024)</b>	<b>(847,719)</b>
<b>Cash flows from investing activities</b>			
Purchases of property and	(15,571)	(3,816)	(16,836)
<b>Net cash used in investing activities</b>	<b>(15,571)</b>	<b>(3,816)</b>	<b>(16,836)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term borrowings	1,540,059	377,373	303,394
Repayments of long-term borrowings	(303,749)	(74,430)	(50,625)
Funds received for Project seed	-	-	15,258
Subordinated debts proceeds/(re-	27,473	6,732	298,246
<b>Net cash generated from financing</b>	<b>1,263,783</b>	<b>309,675</b>	<b>566,273</b>
<b>Translation reserve</b>	-	-	(65,454)
<b>Net changes in cash and cash</b>	<b>(37,401)</b>	<b>(9,165)</b>	<b>(363,736)</b>
Cash and cash equivalents at beginning	491,309	120,390	855,045
<b>Cash and cash equivalents at end of year</b>	<b>453,908</b>	<b>111,225</b>	<b>491,309</b>
<i>Represented by:</i>			
Cash in hand	63,394	15,534	64,061
Balances with banks inside	390,514	95,691	427,248
	<b>453,908</b>	<b>111,225</b>	<b>491,309</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 50 employees as at 31 December 2008 (31 December 2007: 46 employees).

## **2. Basis of preparation and aggregation**

### **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 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.

### **2.2 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.

### 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%

Exception on the above provision rate may be considered but this is conditional on the actual market value of the collateral having been deemed acceptable by the NBC on a case-by-case basis.

#### 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 are stated at historical cost less accumulated depreciation and impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.



### 3.6 Property and equipment

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)

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"). In the previous years, assets, liabilities, income and expenses denominated in foreign currencies are converted to Riel using an annual exchange rate fixed by Management. During the year under review, two exchange rates fixed by Management were utilised for conversion of items of balance sheet and income statement, as follows:

	2008	2007
	KHR	KHR
Balances in the balance sheet: 1 US Dollar (USD)	4,125	-
Daily transactions: 1 US Dollar (USD)	4,050	4,050
Balances in the balance sheet: 1 Thai Bath (THB)	117	-
Daily transactions: 1 Thai Bath (THB)	115	113

Figures presented in USD are for presentation purposes only and are based on closing rate at end of year announced by the National Bank of Cambodia of 1 USD = 4,081.

### 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

	2008		2007
	KHR'000	USD	KHR'000
Head Office (KHR)	8,690	2,129	5,865
Battambang branch (KHR)	12,635	3,096	45,112
Bavel branch (KHR)	14,543	3,563	7,673
Banteay Meanchey branch (THB)	27,526	6,746	5,411
	<b>63,394</b>	<b>15,534</b>	<b>64,061</b>

## 5. Balances with banks inside Cambodia

	2008		2007
	KHR'000	USD	KHR'000
Cambodian Public Bank - Head Office (USD)	19,586	4,799	76,816
Aceda Bank - Head Office (KHR)	170,808	41,854	98,390
Aceda Bank - Head Office (THB)	67,677	16,583	53,877
Aceda Bank - Battambang (KHR)	15,853	3,885	46,698
Aceda Bank - Battambang (USD)	120	29	-
Aceda Bank - Battambang (THB)	166	40	-
Aceda Bank - Moung (KHR)	12,438	3,048	46,690
Aceda Bank - Bavel (KHR)	43,996	10,782	15,762
Aceda Bank - Kamreang (KHR)	6,126	1,501	8,748
Aceda Bank - Banteay Meanchey (THB)	41,361	10,135	61,993
Aceda Bank - Preahnet Preah (THB)	12,383	3,034	18,274
	<b>390,514</b>	<b>95,690</b>	<b>427,248</b>

Further analysis are as follows:

	2008		2007
	KHR'000	USD	KHR'000
(a) By maturity period:			
Within one month	390,514	95,690	427,248
One month to three months	-	-	-
Four months to six months	-	-	-
Seven months to twelve months	-	-	-
Over one year	-	-	-
	<b>390,514</b>	<b>95,690</b>	<b>427,248</b>

(b) By currency denomination:

Khmer Riel	249,221	61,069	216,288
US Dollar	19,706	4,829	76,816
Thai Bath	121,587	29,792	134,144
	<b>390,514</b>	<b>95,690</b>	<b>427,248</b>

(c) By interest rate (per annum):	2008	2007
	Per annum	Per annum
Cambodian Public Bank	1%	1%
Aceda Bank	2% - 4%	2% - 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".

	2008		2007
	KHR'000	USD	KHR'000
Loans to CBMIFOs	6,493,823	1,591,233	4,761,995
Loans to SMEs	1,180,096	289,168	604,004
Accrued interest receivable from loans	-	-	-
	<u>7,673,919</u>	<u>1,880,401</u>	<u>5,365,999</u>
Provisions for doubtful debts - Specific	<u>(37,820)</u>	<u>(9,267)</u>	<u>(137,738)</u>
	<b><u>7,636,099</u></b>	<b><u>1,871,134</u></b>	<b><u>5,228,261</u></b>

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

	2008		2007
	KHR'000	USD	KHR'000
Balance at 1 January	137,738	33,751	24,457
Addition during the year	39,208	9,608	244,062
Recovery during the year	(134,709)	(33,010)	(114,914)
Write off during the year	<u>(4,417)</u>	<u>(1,082)</u>	<u>(15,867)</u>
Balance at 31 December	37,820	9,267	137,738

(ii) Further classification is as follows:

	2008		2007
	KHR'000	USD	KHR'000
Standard loans:			
Secured	7,547,755	1,849,487	4,899,504
Unsecured	67,065	16,432	94,482
Sub-standard loans:			
Secured	9,937	2,435	258,249
Unsecured	-	-	-
Doubtful loans:			
Secured	44,352	10,868	2,644
Unsecured	-	-	-
Loss loans:			
Secured	4,810	1,179	111,120
Unsecured	-	-	-
	<b><u>7,673,919</u></b>	<b><u>1,880,401</u></b>	<b><u>5,365,999</u></b>

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

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

	2008		2007
	KHR'000	USD	KHR'000
(a) By maturity period:			
Within one month	14,955	3,664	110,060
One to three months	25,994	6,370	1,091,521
Four to six months	109,536	26,840	1,275,849
Seven to twelve months	4,270,450	1,046,422	2,092,510
Over one year but within three years	2,558,032	626,815	627,816
Over three years but within five years	694,952	170,290	143,405
No fixed maturity date	-	-	24,838
	<u>7,673,919</u>	<u>1,880,401</u>	<u>5,365,999</u>
(b) By branch:			
Battambang branch	4,038,819	989,663	3,274,450
Banteay Meanchey branch	1,592,018	390,105	963,023
Bavel branch	2,043,082	500,633	1,128,526
	<u>7,673,919</u>	<u>1,880,401</u>	<u>5,365,999</u>
(c) By security:			
Secured	7,606,854	1,863,968	5,271,517
Unsecured	67,065	16,433	94,482
	<u>7,673,919</u>	<u>1,880,401</u>	<u>5,365,999</u>
(d) By currency denomination:			
Thai Bath	1,592,018	390,104	963,022
Khmer Riel	6,081,901	1,490,297	4,402,977
	<u>7,673,919</u>	<u>1,880,401</u>	<u>5,365,999</u>
(e) By status of residence:			
Residents	<u>7,673,919</u>	<u>1,880,401</u>	<u>5,365,999</u>
(f) By relationship:			
Related parties	-	-	-
Non related parties	7,673,919	1,880,401	5,365,999
	<u>7,673,919</u>	<u>1,880,401</u>	<u>5,365,999</u>

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

(g) By economic sectors:	2008		2007
	KHR'000	USD	KHR'000
Agriculture	4,912,999	1,203,871	2,644,048
Construction	360,948	88,446	63,629
Household/Family	-	-	184,255
Services	380,698	93,285	354,190
Trade and Others	2,019,274	494,799	2,119,877
	<u>7,673,919</u>	<u>1,880,401</u>	<u>5,365,999</u>

## 7. Property and equipment

	Motorbikes	Office equipment	IT & computer equipment	Total
<b>Cost</b>	KHR'000	KHR'000	KHR'000	KHR'000
At 1 January 2008	10,044	2,986	4,334	17,364
Additions	<u>7,805</u>	<u>4,078</u>	<u>3,688</u>	<u>15,571</u>
At 31 December 2008	<u>17,849</u>	<u>7,064</u>	<u>8,022</u>	<u>32,935</u>
<b>Accumulated depreciation</b>				
At 1 January 2008	2,088	1,172	3,061	6,321
Charges for the year	<u>9,334</u>	<u>3,102</u>	<u>4,443</u>	<u>16,879</u>
At 31 December 2008	<u>11,422</u>	<u>4,274</u>	<u>7,504</u>	<u>23,200</u>
<b>Net book value</b>				
<b>At 31 December 2008</b>	<u><b>6,427</b></u>	<u><b>2,790</b></u>	<u><b>518</b></u>	<u><b>9,735</b></u>
<b>At 31 December 2007</b>	<u><b>7,956</b></u>	<u><b>1,814</b></u>	<u><b>1,273</b></u>	<u><b>11,043</b></u>
Depreciation for 2007	<u>2,088</u>	<u>1,172</u>	<u>3,061</u>	<u>6,321</u>

	Motorbikes	Office equipment	Computer & IT equipment	Total
<b>Cost</b>	USD	USD	USD	USD
At 1 January 2008	2,461	732	1,062	4,255
Additions	<u>1,913</u>	<u>999</u>	<u>904</u>	<u>3,816</u>
At 31 December 2008	<u>4,374</u>	<u>1,731</u>	<u>1,966</u>	<u>8,071</u>
<b>Accumulated depreciation</b>				
At 1 January 2008	512	287	750	1,549
Charges for the year	<u>2,287</u>	<u>760</u>	<u>1,089</u>	<u>4,136</u>
At 31 December 2008	<u>2,799</u>	<u>1047</u>	<u>1,839</u>	<u>5,685</u>



## 7. Property and equipment (continued)

Equivalents in USD	Motorbikes	Office equipment	Computer & IT equipment	Total
<b>Net book value</b>				
<b>At 31 December 2008</b>	<u>1,575</u>	<u>684</u>	<u>127</u>	<u>2,386</u>
<b>At 31 December 2007</b>	<u>1,949</u>	<u>445</u>	<u>312</u>	<u>2,706</u>
Depreciation for 2007	<u>517</u>	<u>289</u>	<u>756</u>	<u>1,562</u>

## 8. Other assets

	2008		2007
	KHR'000	USD	KHR'000
Stock of office supplies	19,711	4,830	26,974
Prepaid expenses	41,831	10,250	25,690
Other receivables	-	-	420
Deposit in registered stock shares of Consorzio ETIMOS	6,659	1,632	-
Advances to employees	3,465	849	-
	<u>71,666</u>	<u>17,561</u>	<u>53,084</u>

## 9. Deposits of borrowers/members

	2008		2007
	KHR'000	USD	KHR'000
CBMIFO savings:			
Voluntary savings	278,213	68,173	191,266
Compulsory savings	222,896	54,618	131,598
Demand savings	119,021	29,165	61,163
Promissory notes	13,955	3,420	-
	<u>634,085</u>	<u>155,376</u>	<u>384,027</u>
SMEs savings:			
Voluntary savings	4,306	1,055	2,294
Compulsory savings	103,584	25,382	91,296
Promissory notes	161,931	39,679	31,817
Capital build up	24,434	5,987	60,813
	<u>294,255</u>	<u>72,103</u>	<u>186,220</u>
	<u>928,340</u>	<u>227,479</u>	<u>570,247</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 31 December 2007, 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 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.

(i) Movements of savings are as follows:	2008		2007
	KHR'000	USD	KHR'000
Balance at 1 January	570,247	139,733	429,648
Addition during the year	916,222	224,509	591,709
Withdrawal during the year	<u>(558,129)</u>	<u>(136,763)</u>	<u>(451,110)</u>
Balance at 31 December	<u>928,340</u>	<u>227,479</u>	<u>570,247</u>

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

(ii) Further classification is as follows:

(a) By currency denomination:	2008		2007
	KHR'000	USD	KHR'000
Khmer Riel	638,137	156,368	463,893
US Dollar	143,888	35,258	15,807
Thai Bath	146,315	35,853	90,547
	<u>928,340</u>	<u>227,479</u>	<u>570,247</u>

(b) By maturity period:	2008		2007
Within one month	147,761	36,208	259,615
One to three months	6,099	1,494	5,265
Four to six months	16,926	4,147	-
Seven to twelve months	199,423	48,867	-
More than twelve months	558,131	136,763	305,367
	<u>928,340</u>	<u>227,479</u>	<u>570,247</u>

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

	2008 Per annum	2007 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

	2008		2007
	KHR'000	USD	KHR'000
Balance as at 01 January	373,812	91,598	231,684
Addition during the year	259,522	63,593	193,938
Repayments to customers during the year	<u>(68,625)</u>	<u>(16,816)</u>	<u>(51,810)</u>
<b>Balance as at 31 December</b>	<b><u>564,709</u></b>	<b><u>138,375</u></b>	<b><u>373,812</u></b>

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

Further analysis are as follows:	2008		2007
	KHR'000	USD	KHR'000
Head Office	59,755	14,642	59,754
Battambang branch	303,018	74,251	203,257
Bavel branch	115,978	28,419	61,637
Banteay Meanchey branch	<u>85,958</u>	<u>21,063</u>	<u>49,164</u>
	<u>564,709</u>	<u>138,375</u>	<u>373,812</u>

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

	2008		2007
	KHR'000	USD	KHR'000
Saving bank members Battambang branch	44,240	10,840	37,930
Saving bank members Banteay Meanchey branch	11,812	2,894	9,095
Saving bank member Bavel branch	<u>16,250</u>	<u>3,983</u>	<u>13,450</u>
	<u>72,302</u>	<u>17,717</u>	<u>60,475</u>

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

	2008		2007
	KHR'000	USD	KHR'000
Balance as at 01 January	60,475	14,819	46,578
Addition during the year:			
Battambang branch	6,310	1,546	7,040
Banteay Meanchey branch	2,717	666	3,657
Bavel branch	<u>2,800</u>	<u>686</u>	<u>3,200</u>
Balance as at 31 December	<u>72,302</u>	<u>17,717</u>	<u>60,475</u>

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

	2008		2007
	KHR'000	USD	KHR'000
Accrued expenses	29,425	7,210	-
Accrued interest payable	42,663	10,453	-
Accrued professional fees	-	-	18,225
Staff severance benefits	161,530	39,581	124,232
Annual bonus	55,207	13,528	46,267
Staff medical benefits	821	201	529
Annual leave	23,134	5,669	23,134
Withholding tax on salary	25,450	6,236	22,571
Service fee payable	1	-	20
	<b>338,231</b>	<b>82,878</b>	<b>234,978</b>

## 13. Long term borrowings

	2008		2007
	KHR'000	USD	KHR'000
Rabo Bank - interest bearing	876,563	214,791	760,927
Credit Union Foundation Austria Limited (CUFA)	380,597	93,261	373,673
Borrowings from Consorzio ETIMOS (*)	825,000	202,156	-
Loans from an individual (**)	288,750	70,755	-
	<b>2,370,910</b>	<b>580,963</b>	<b>1,134,600</b>

	2008		2007
	KHR'000	USD	KHR'000
Further analysis are as follows:			
Balance as at 01 January	1,134,600	278,020	808,226
Movements during the year:			
Proceeds from borrowings	1,540,059	377,373	303,394
Repayments	(303,749)	(74,430)	(50,625)
Re-allocation from grant income	-	-	70,568
Re-allocation from subordinated debt	-	-	3,037
Balance as at 31 December	<b>2,370,910</b>	<b>580,963</b>	<b>1,134,600</b>

(\*) Two loans of USD 100,000 each were obtained from Consorzio ETIMOS, a financial institution incorporated in Italy. These loans were contracted on 14 January 2008 and 21 April 2008, respectively and are to be repaid in six semester instalments commencing on 16 July 2008 for both borrowings.

(\*\*) This represents the outstanding balances of two short-term loans contracted from one individual which will mature within one year.



### 13. Long term borrowings (continued)

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

	2008 % p. a	2007 % p. a
Rabo Bank - interest bearing	5%	5%
Credit Union Foundation Austria Limited (CUFA)	N/A	N/A
Etimos	14.36% - 19.56%	-
Individual borrowing	14%	-

### 14. Project seed capital

	2008		2007
	KHR'000	USD	KHR'000
Project seed capital under CUFA funds	83,365	20,428	83,365
Project seed capital under AusAID funds	866,456	212,314	866,456
	<b>949,821</b>	<b>232,742</b>	<b>949,821</b>
	2008		2007
Further analysis are as follows:	KHR'000	USD	KHR'000
Balance as at 01 January	949,821	232,742	934,563
Addition during the year	-	-	-
Re-allocation from previous year	-	-	15,258
	<b>949,821</b>	<b>232,742</b>	<b>949,821</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

	2008		2007
	KHR'000	USD	KHR'000
CCA	-	-	861
Agriterra	-	-	6,222
	<u>-</u>	<u>-</u>	<u>7,083</u>

Movement of borrowing were as follows:

	2008		2007
	KHR'000	USD	KHR'000
Balance as at 01 January	7,083	1,736	160,765
Fund transferred from donors	27,442	6,724	297,677
Interest received from placement with banks	31	8	569
Transfer to grant income	(34,558)	(8,468)	(433,040)
Adjustment to long term borrowings - CUFA	-	-	(3,038)
Adjustment to Project seed capital fund - CUFA	-	-	(15,258)
Difference in exchange rates	2	-	(592)
	<u>2</u>	<u>-</u>	<u>(592)</u>
	<u>-</u>	<u>-</u>	<u>7,083</u>

## 16. Interest income

Interest income was made from the following sources:

	2008		2007
	KHR'000	USD	KHR'000
Deposits and placements with banks	18,631	4,565	10,327
Loans and advances	1,539,148	377,150	1,226,404
	<u>1,557,779</u>	<u>381,715</u>	<u>1,236,731</u>

## 17. Interest expense

	2008		2007
	KHR'000	USD	KHR'000
Interest expense on savings	40,057	9,815	29,424
Interest expense on borrowings	103,865	25,451	38,264
	<u>143,922</u>	<u>35,266</u>	<u>67,688</u>

## 18. Non-interest income

	2008		2007
	KHR'000	USD	KHR'000
Member entrance fees	78,422	19,216	213
Penalties fees	8,760	2,147	11,680
Sales of stationeries	-	-	84,398
Gain on exchange rates	1,476	362	-
Translation reserve recognised as income	-	-	71,153
Others	166,190	40,723	27,395
	<b>254,848</b>	<b>62,448</b>	<b>194,839</b>

## 19. Payroll and other staff costs

	2008		2007
	KHR'000	USD	KHR'000
Salaries	607,425	148,842	492,457
Staff medical benefits	39	10	15
Staff severance benefits	95,116	23,307	77,865
Annual leave	28	7	3
	<b>702,608</b>	<b>172,166</b>	<b>570,340</b>

## 20. Other operating expenses

	2008		2007
	KHR'000	USD	KHR'000
Insurance expenses	3,727	913	2,952
Training/workshops and conferences	56,256	13,785	47,953
Rental fees	88,524	21,692	84,394
Utilities expenses	25,086	6,147	22,999
Repair and maintenance	12,704	3,113	15,031
Office supplies and stationeries	19,935	4,885	12,241
Fuel and gasoline expenses	27,691	6,785	23,192
Travelling expenses	10,586	2,594	11,402
Communication expenses	23,061	5,651	14,380
Professional fees	29,847	7,314	27,338
Amortizations cost	5,079	1,245	-
Representation cost	5,109	1,252	-
Affiliation fees	4,066	996	4,050
Annual general meeting	2,009	492	1,748

(Continued)

## 20. Other operating expenses (continued)

	2008		2007
	KHR'000	USD	KHR'000
Litigation fees	2,612	640	2,885
Social service fees	1,140	279	881
IEC expenses	45,738	11,208	48,245
LPLS premium expenses	21,876	5,360	18,343
Loan charge on borrowing	2,025	496	-
Bank charge	9,041	2,215	3,836
Taxes and license	5,974	1,464	-
Other expenses	48,067	11,778	915
	<b>450,153</b>	<b>110,305</b>	<b>342,785</b>

## 21. Grant income

	2008		2007
	KHR'000	USD	KHR'000
WOOCU	-	-	6,059
CUFA	-	-	16,307
ACCU	-	-	8,209
CCA	862	211	98,584
Agriterra	33,695	8,257	233,313
	<b>34,557</b>	<b>8,468</b>	<b>362,472</b>