

ANNUAL REPORT



2009

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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 1st 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 6th December 2002. It also operates as a rural microfinance service provider by virtue of its registration with the National Bank of Cambodia on 7th 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. 34 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.

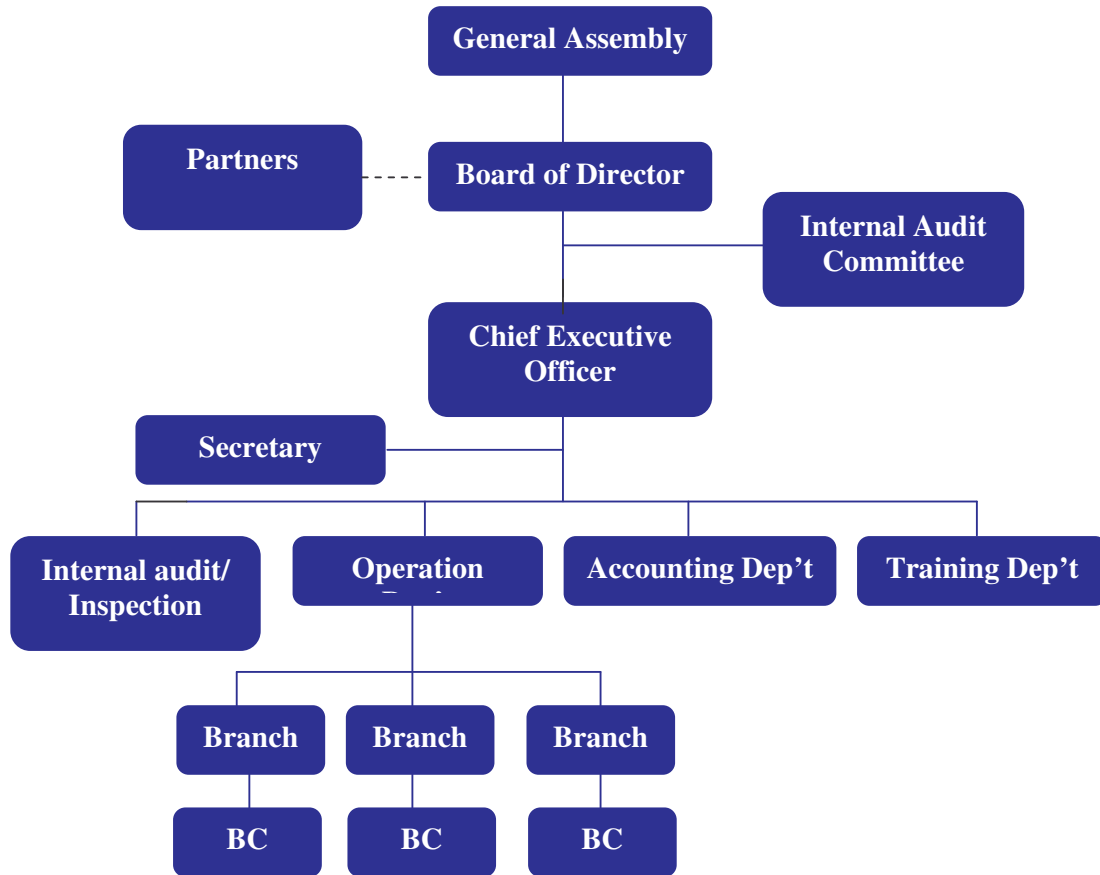
1.3 History:

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

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

Year	Main Activities
	<ul style="list-style-type: none"> - Transformed the project of CARE Cambodia to Local NGO, Cambodian Community Savings Federation, on 1st January 2003, by virtue of its registration with the Ministry of Interior of the Royal Government of Cambodia on 6th December 2002.
2002	<ul style="list-style-type: none"> - Preparation of transformation of the project to Local NGO called "Cambodian Community Savings Federation-CCSF". - 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.
2000-2001	<ul style="list-style-type: none"> - CARE USA phased out by the end of 2001. - Operation area: 6 districts. - Expanded the program to Bavel and Thmorkol districts, Battambang province financially supported by CARE USA.
1999-2002	<ul style="list-style-type: none"> - 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 Battmabng province: 1) Sangke, 2) Battambang, 3) Ek Phnom, 4) Banan, 5) Bavel and 6) Thmorkol.
1998-1999	<ul style="list-style-type: none"> - 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. - 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. - Commencement of "Pilot Saving Mobilization" project of CARE Cambodia, Jan 1998-Jun 1999, financially supported by CARE Australia in two districts within Battmabang province. The project was working in partnership with 4 local NGOs: 2 partners in Ek Phnom district, and 2 partners in Mong Reussey district.

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. Meas Thon, ODM
- Mr. Svang Vet, Director
- Mr. Moeun Moeuth, Director
- Mr. Pheach Sopeak, Chairman
- Mr. Ket Phal, Vice Chairman
- Ms. Keo Smabath, Secretary

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 University of Management and Economics (UME) 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.



CCSF staff, during Annual Review Workshop, December 2009.

2. OPERATIONAL ACHIEVEMENT

2.1 CBMIFO level:

2.1.1 CBMIFO's Directors & Management Competencies:

Good governance and management of the CBMIFOs, particularly in asset management, is essential to security of member's savings. Hence, competencies of directors, management, and employees of the CBMIFOs are the key element of success and sustainability of the CBMIFOs.

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. Thus, technical training provided to the leaders of the CBMIFOs is very essential which need to be provided on-going basis.

Ten courses of advanced training have been provided to 413 of directors, management, and employees of the CBMIFOs, among those, 167 are female. The training courses include:

- Leadership development: 2 courses
- Risk management: 2 courses
- Loan delinquency management & control: 1 course
- Advanced bookkeeping: 2 courses
- Effective monitoring tools: 1 course
- Internal control review : 1 course
- Position CU in market place: 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.

Since portfolio of the CBMIFOs grows year after year, several meetings have been conducted during the year, attended by leaders of the CBMIFOs facilitated by the MSOs, aiming at reviewing and improving the operating policies of the CBMIFOs to suit the current situation.

As results, operating policy of matured CBMIFOs has been modified ensuring competitive advantage to better serving the members, while reaching financial viability.

2.1.2 Annual General Meeting:

The CBMIFOs held Annual General Meeting (AGM) annually. As of December 2009, there are 401 volunteers, of which 171 are female, are elected by the AGM. Among those, there are 128 BoD members, 49 are female; 68 SC members, 28 are female; 10 Executive member, 3 are female, elected by the AGM.

There are 195 Credit Committee members, 91 are female, appointed by the BoD. The appointment of the CC members may depend on the scope of the operation of each CBMIFO.

The CBMIFOs have created job opportunity for youth to translate their knowledge into practice in supporting the growth of the CBMIFO's movement. Particularly, 202 employees, of which 119 are 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 Planning:

As usual, one day workshop has been held by 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.

The workshop has demonstrated strength of the CBMIFOs, challenges, areas where need to improve and reinforce to reach its goals and simultaneously to gain competitive advantage to better serving the members in the coming years.

2.1.4 Monitoring and internal audit:

With technical assistance of Rabobank Foundation, Internal auditing policy and procedures has been developed and finalized. The policy is translated into local language. The internal audit team has been trained on how to translate the policy into practices.

Twelve matured CBMIFOs are selected to pilot the new auditing procedures. In order to adopt the new auditing procedures, pre-preparation has been made:

- recruited internal control officers,
- delivered a module of training on internal control procedures, and

- launched internal control system at the CBMIFO level.

Regular on-site and off site monitoring the CBMIFOs have been conducted by CCSF Member Service Officers (MSOs) ensuring that the operation is in compliance with the internal policy and procedures set forth and approved by the BoD of the CBMIFOs, and transparency is in place.

Prudential monitoring tools (PEARLS) has been introduced to all member organizations through technical workshop, aims at to enable the leaders of the CBMIFOs to understand their important roles in monitoring and evaluating the operation and financial position of their CBMIFOs, and gain sufficient knowledge in effective decision making.

Semi-Annual internal financial audit to the CBMIFOs is conducted annually by CCSF internal audit team, aiming at assessing 4 main areas:

- 1) ability of the CBMIFO's employees to do record- keeping,
- 2) competencies of management and directors in management and governance,
- 3) assess potential inherent risks, and
- 4) loan checking.



Debrief meeting after internal auditing.

Having such of system, the management of the CBMIFOs will have opportunity to identify areas, where need to be improved to ensure transparency in place, which is a basic element of building trust among the poor.

2.2 Federation level:

2.2.1 Building CCSF staff competencies:

Continue to advance staff capacity is one of CCSF strategies to build sound and safe CBMIFOs and CCSF itself.

Four courses of In-house training have been provided to CCSF staff:

- 1) Accounting software provided to 6 female accountants.
- 2) Internal control policy & procedure, provided to 25 CCSF staff, 7 are female staff, included internal audit team, branch managers, business center managers and all field staff.
- 3) Advanced bookkeeping provided to 17 CCSF new recruited staff, 5 are female.
- 4) Positioning Credit Unions in the market place provided to 40 CCSF staff, 20 are female.

Senior staff has also been sent to the training organized by Cambodian Micro-finance Association (CMA) on:

- Branch management,
- Internal audit skill,
- Land & contract law,
- Micro-finance amid global crisis,



- Social Performance Management.

Staff also attended regulatory workshop organized by ACCU, BKK.

2.2.2 Annual General Meeting:

Seventh Annual General Meeting has been conducted on 26 June 2009, participated by 54 delegates, 52 regular members and 2 affiliate members. Two BoD members have been elected by the AGM.

2.2.3 Planning:

Two day workshop has been conducted participated by all branch staff to review outputs against its annual operational plan, and develop 2010 annual plan.

Key staff is involved in the process of development of its annual operating plan, which builds good communication means to ensure participatory approach from bottom up, that they are part of CCSF plan and strategic direction as well.



2.2.4 Internal Control Systems:

With technical assistance of Rabobank Foundation, internal control policy and procedures has been finalized, translated into local language. The internal audit team has been trained on how to translate the policy into practices.

Review of internal control system of the head office, branches and business centers is conducted twice per year.



2.2.5 Loan Protection & Life Saving Program



Financially supported by Agriterra, Mr. Ton Merks, supported CCSF to conduct in-depth analysis of viability of the LPLS program and its potential growth.

Numbers of group discussion have been made to study member's demands, satisfaction or challenges of the members in using the current services, and areas where need to improve.

Numbers of recommendations have been made to add value to the LPLS services provided to the members.

2.2.6 Cross visit:

CCSF has hosted several study visits for local NGO, Hope international, Agriterra, and ILO vocational training to visit the program. CCSF, was invited by Governor of Kampong Thom province, has presented the credit union concept and current practices to his colleagues, at Ministry of tourism.



3. PERFORMANCE OUTPUTS

3.1 Geographical coverage:

During this reporting period, the program has been implemented in 466 villages, 83 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:

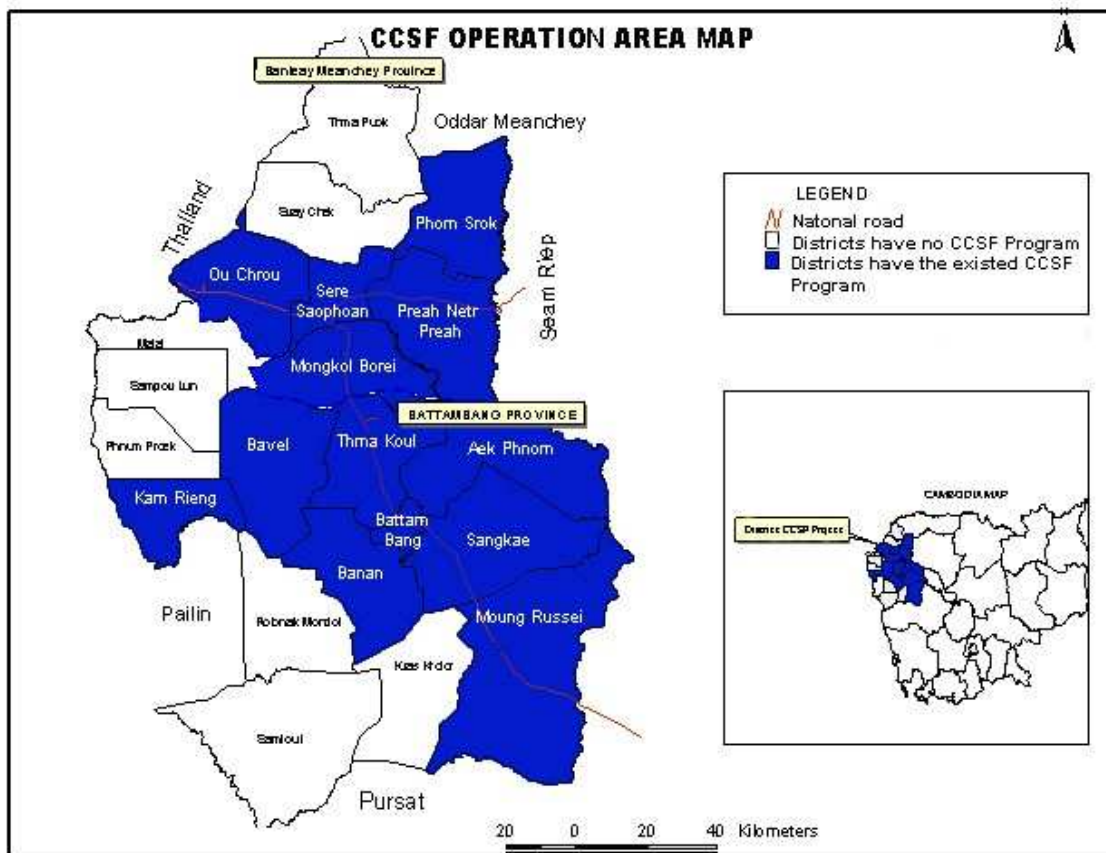
- 57 communes,
- 352 villages

District name in Banteay Meanchey

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

Number of village and communes:

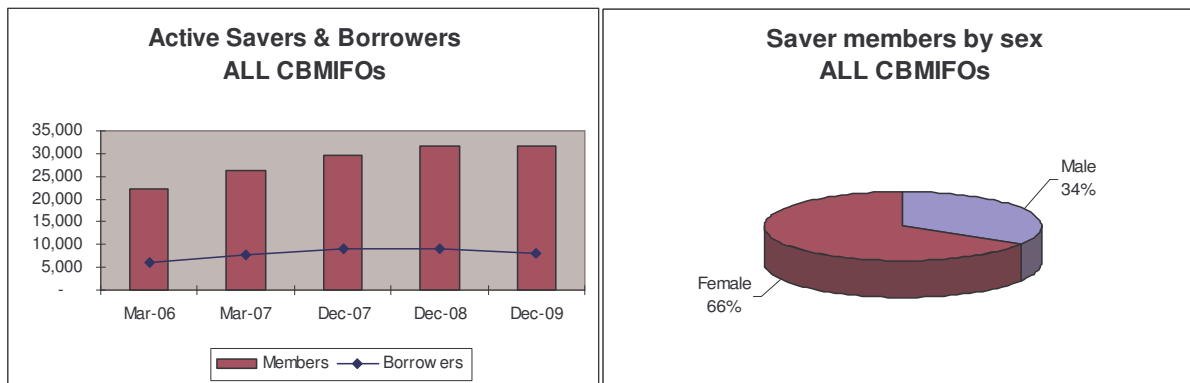
- 26 communes,
- 114 villages



3.2.Outreach:

Deepen outreach is one of CCSF strategies. As at 31 December 2009, there are 34 active CBMIFOs with 31,710 individual active saver members, of which 20,932 members, which are 66%, are female. From March 2006-December 2009, an average growth of saver membership is 11.94%, however, there is only 0.94% growth of membership in 2009. Among those, there are 8,074 active borrowers, of which 5,899 are female, who have borrowed loans from the CBMIFOs for setting up and improving their businesses.

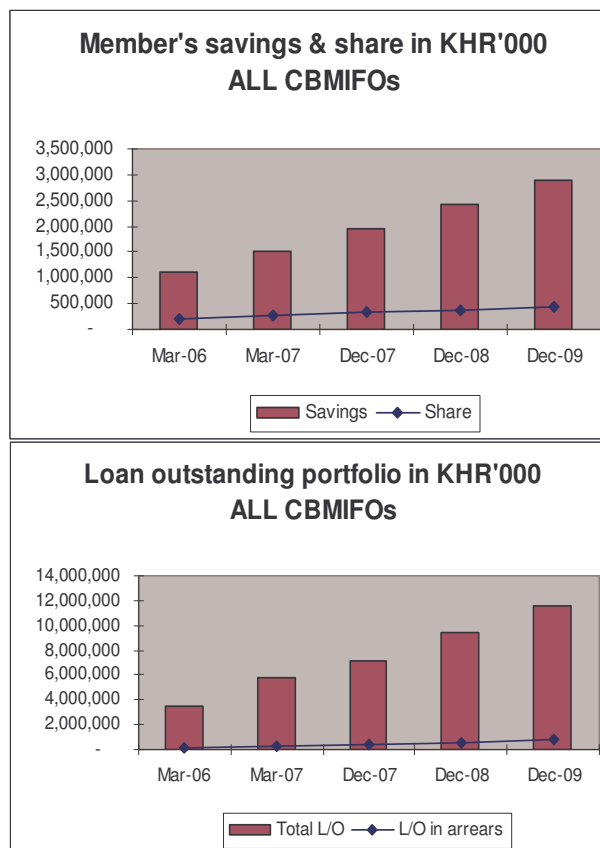
It seems very slow in membership growing, as some large CBMIFOs have almost reached their ceiling of market share, while strong competition in financial market among MFIs.



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 their 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 2006 to December 2009, there is an average growth of savings at 28%, share at 16%, and loan outstanding at 35%. However, in 2009, there is 18% growth in member's savings, 12% growth in member's share, and 23% growth in loan outstanding.



3.4 Summary key operational highlight of CBMIFO's movement:

Key Indicators Amount in KHR'000	Dec-09	Dec-08	Dec-07	Mar-07	Mar-06
Number of saver members	31,710	31,481	29,672	26,333	22,314
Amount member's savings	2,883,771	2,436,353	1,942,372	1,522,837	1,109,360
Amount member's share	425,988	379,921	327,014	269,337	210,604
Value of loan outstanding balance	11,622,035	9,424,222	7,156,032	5,777,652	3,545,166
Value of loan outstanding in arrears	835,011	505,738	389,591	295,476	131,235
Value of payment in arrears	621,183	386,312	377,568	291,060	124,509
Number of borrowers	8,074	8,951	8,957	7,769	6,253
Delinquency ratio	5.34%	4.10%	5.28%	5.04%	3.51%
Portfolio at risk ratio	7.18%	5.37%	5.44%	5.11%	3.70%
Average saving/ member	91	77	65	57	49
Average loan amount / borrower	1,439	1,053	798	743	567



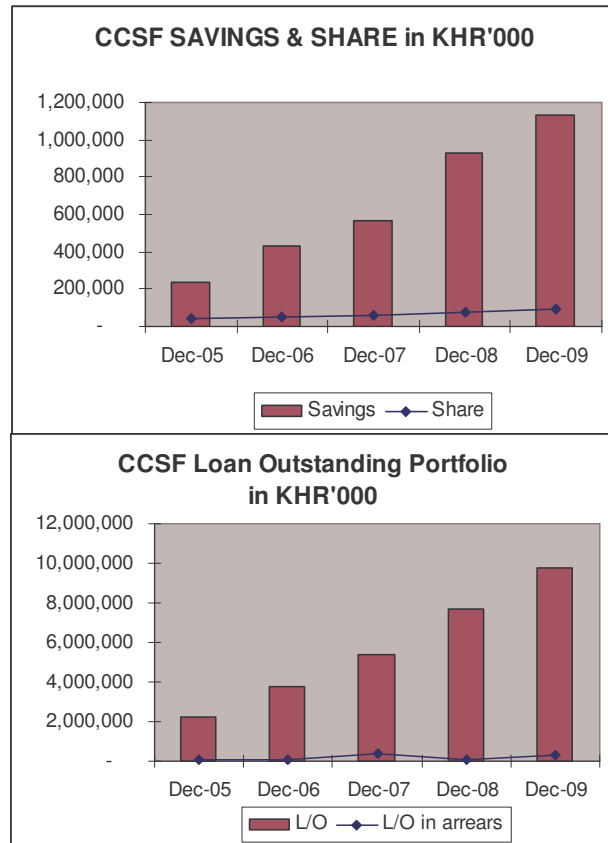
3.5 Portfolio of the Federation (CCSF):

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 for retails sale.

As of 31 December 2009, CCSF has collected member savings amounting 1,113 Million Riels and granted loan to the members amounting 9,754 Million Riels for 4 main purposes: Productivity loans 83.33%, Liquidity Loan 0.03%, Institutional loan 3.47%, and Individual loan 13.19%.

Compared from Dec 2005 to Dec 2009 there is an average growth of savings at 61%, share at 38%, and loan outstanding at 53%.

However, in 2009, there is 22% growth of member's savings, 25% growth of member's share, and 27% growth of loan outstanding.



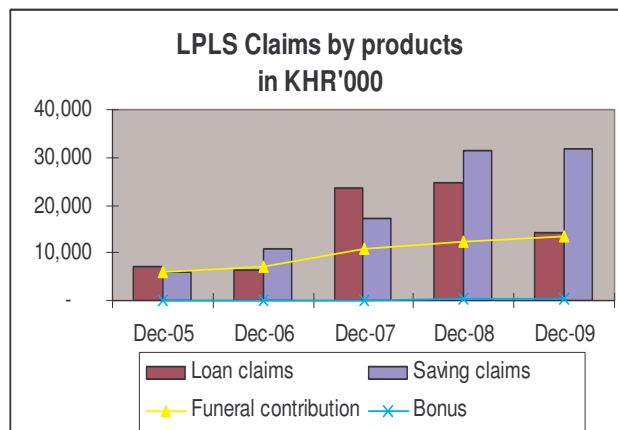
3.6 Loan Protection & Life Saving Program

Along with technical assistance and financial services provided to members, CCSF also offers another non-financial product, Loan Protection & Life Saving (LPLS) service. The LPLS aims at to support the deceased family members to continue maintaining their livelihood, through benefit package, double savings claims and repay loan back to the CBMIFOs on behalf of the deceased 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 2009, there are 31,257 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 2009, there is 23.56% of loan claims, 53.27% of savings claims, 22.39% of funeral contribution, and 0.77% of bonus claim.

Compared to the year 2008, claim of loan is declined, while claims of other products are increased. Overall, there is a decrease of 13% of claims in 2009. The figure of claim is broken down by products as below:

- Loan: -42.73%
- Savings: 1.52%
- Funeral contribution: 7.92%
- Bonus: 57.14%



The overall claim ratio is declined in 2009 due to new policy has been implemented in 2008, resulted in a huge increase of claim, and become normal increase in 2009 although there is a decrease of loan claim.

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

3.7 Summary highlights (CCSF)

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

Key Indicators in KHR'000	Amount	Dec-09	Dec-08	Dec-07	Dec-06	Dec-05
Operational Highlights						
Number of CBMIFOs		34	36	37	36	38
Number of groups		2,395	2,324	2,255	1,987	1,754
Number of LPLS members		31,257	31,106	28,982	24,490	21,196
Number of death/claims		268	278	246	173	154
Total amount of claims:		59,745	69,020	51,810	24,404	18,931
- amount of loan claims		14,077	24,874	23,545	6,521	6,972
- amount of savings claims		31,828	31,414	17,143	10,663	5,878
- amount of funeral contributions		13,378	12,438	11,002	7,219	6,080
- amount of bonus claims		462	294	120	-	-
Amount of member's savings		1,342,607	928,340	570,246	429,648	240,822
Amount of member's share		90,418	72,302	60,475	46,578	40,127
Value of gross loan outstanding balance		9,754,783	7,673,918	5,365,999	3,755,352	2,241,444
Value of loan outstanding balance in arrears		341,551	49,162	379,740	63,854	72,357
Value of payment in arrears		73,363	42,210	48,133	32,503	49,218
Financial Highlights						
Return on Assets (Before donation)		5.9%	6.6%	6.0%	-3.9%	-24.7%
Return on Equity (ROE)		13.6%	12.9%	10.5%	-7.7%	-71.7%
Leverage (Liability to Equity)		1.45	1.14	0.74	0.76	1.52
Total revenue ratio		25.7%	28.4%	29.7%	29.2%	29.3%
Portfolio yield ratio		23.9%	25.5%	25.7%	28.0%	29.3%
Operating expense ratio		17.0%	18.3%	19.1%	32.5%	57.5%
Cost of savings ratio		6.2%	5.4%	6.0%	6.1%	5.9%
Cost of borrowings ratio		6.3%	5.9%	5.9%	1.3%	0.0%
Loan loss provision expense ratio		0.4%	0.6%	2.7%	0.8%	1.7%
Risk coverage ratio		77.2%	78.2%	37.0%	67.4%	94.0%
PAR 31-365 days		0.8%	0.5%	6.9%	0.7%	0.1%
PAR > 365 days		0.1%	0.1%	0.1%	0.3%	1.9%

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 2009 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 2009 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

20 July 2010

A handwritten signature in blue ink, appearing to be 'Nget Ny', is written above a horizontal line.

Ms. Nget Ny
Account/Admin

20 July 2010

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

We have audited the accompanying financial statements of Cambodian Community Savings Federation (“CCSF” or “the Organisation”) which comprise the balance sheet as at 31 December 2009, 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’s 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 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 2009 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)

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**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.

On behalf of Morison Kak & Associés




Saksom Meas
Managing Partner
Morison Kak & Associés
Certified Public Accountants
Registered Auditors

Date: 20 July 2010

BALANCE SHEET AS AT 31 DECEMBER 2009

		2009		2008
	Notes	KHR'000	USD	KHR'000
ASSETS				
Cash in hand	4	50,775	12,179	63,394
Balances with banks inside Cambodia	5	1,133,018	271,772	390,514
Loans and advances to customers	6	9,689,171	2,324,100	7,636,099
Property and equipment	7	27,593	6,619	9,735
Other assets	8	70,750	16,970	71,666
TOTAL ASSETS		10,971,307	2,631,640	8,171,408
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Deposits of borrowers/members	9	1,342,607	322,045	928,340
Loan protection and life savings	10	842,771	202,152	564,709
Amounts due to saving bank members	11	90,419	21,688	72,302
Other liabilities	12	464,959	111,528	338,231
TOTAL LIABILITIES		2,740,756	657,413	1,903,582
LONG TERM BORROWINGS	13	3,751,736	899,913	2,370,910
FUND BALANCE				
Opening balance		86,720	20,801	86,720
Project seed capital	14	949,821	227,829	949,821
Net profit for the year		581,899	139,578	494,414
Accumulated earnings from prior years		2,860,375	686,106	2,365,961
TOTAL FUND BALANCE		4,478,815	1,074,314	3,896,916
TOTAL LIABILITIES AND FUND BALANCE		10,971,307	2,631,640	8,171,408

Signed and authorised for release on behalf of the Management.



Ms. Phal Pisey
Chief Executive Officer

20 July 2010

Ms. Nget Ny
Account/Admin

20 July 2010

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

STA STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

		2009		2008
	Notes	KHR'000	USD	KHR'000
Interest income	15	2,037,576	488,745	1,557,779
Interest expense	16	(256,073)	(61,423)	(143,922)
Net interest income		1,781,503	427,322	1,413,857
Non-interest income	17	323,768	77,661	254,848
Payroll and other staff costs	18	(894,883)	(214,652)	(702,608)
Depreciation expense		(17,705)	(4,247)	(16,879)
Other operating expenses	19	(598,559)	(143,574)	(450,153)
Operating profit before provision for impairment		594,124	142,510	499,065
Provision for impairment losses		(29,693)	(7,122)	(39,208)
Net profit before grant income		564,431	135,388	459,857
Grant income	20	17,468	4,190	34,557
Net profit for the year		581,899	139,578	494,414

Signed and authorised for release on behalf of the Management



Ms. Phal Pisey
Chief Executive Officer
20 July 2010

Ms. Nget Ny
Account/Admin Manager
20 July 2010

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

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2009

	Opening balance KHR'000	Project seed Capital KHR'000	Subordinated debts KHR'000	Accumulated earnings KHR'000	Total KHR'000
Balance as at 1 January 2008	86,720	949,821	7,083	2,365,961	3,409,585
Subordinated debts	-	-	(7,083)	-	(7,083)
Net profit for the year	-	-	-	494,414	494,414
Balance as at 31 December 2008	86,720	949,821	-	2,860,375	3,896,916
Balance at 1 January 2009	86,720	949,821	-	2,860,375	3,896,916
Net profit for the year	-	-	-	581,899	581,899
Balance as at 31 December 2009	86,720	949,821	-	3,442,274	4,478,815
<i>(Equivalent in US Dollar)</i>	20,801	227,829	-	825,683	1,074,313

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

	2009		2008
	KHR'000	USD	KHR'000
Cash flows from operating activities			
Profit before income tax	581,899	139,578	494,414
<i>Adjustments for:</i>			
Depreciation of property and equipment	17,705	4,247	16,879
Provisions for impairment losses	29,693	7,122	39,208
Re-allocation of subordinated debts	(17,468)	(4,190)	(34,556)
Operating profit before changes in working	611,829	146,757	515,945
Increase/(decrease) in cash attributable to changes in working assets and liabilities:			
Loans and advances	(2,082,765)	(499,584)	(2,447,046)
Other assets	916	220	(18,582)
Deposits of borrowers/members	414,267	99,368	358,093
Loan protection and life savings	278,062	66,698	190,897
Amounts due to saving bank members	18,117	4,346	11,827
Other liabilities	126,727	30,396	103,253
Net cash used in operating activities	(632,847)	(151,799)	(1,285,613)
Cash flows from investing activities			
Purchases of property and equipment	(35,563)	(8,530)	(15,571)
Net cash used in investing activities	(35,563)	(8,530)	(15,571)
Cash flows from financing activities			
Proceeds from long-term borrowings	2,433,750	583,773	1,540,059
Repayments of long-term borrowings	(1,035,455)	(248,370)	(303,749)
Subordinated debts proceeds/(re-Allocation)	-	-	27,473
Net cash generated from financing activities	1,398,295	335,403	1,263,783
Net changes in cash and cash equivalents	729,885	175,074	(37,401)
Cash and cash equivalents at beginning of year	453,908	108,877	491,309
Cash and cash equivalents at end of year	1,183,793	283,951	453,908
<i>Represented by:</i>			
Cash in hand	50,775	12,179	63,394
Balances with banks inside Cambodia	1,133,018	271,772	390,514
	1,183,793	283,951	453,908

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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.

In June 2007, CCSF further obtained a registration from the National Bank of Cambodia (“NBC” or “the Central Bank”) to operate as a micro-finance operator with a term of three years. A new registration valid for three years was obtained from NBC on 8 June 2010.

CCSF has 57 employees as at 31 December 2009 (31 December 2008: 50 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

(a) Foreign currencies

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:

	2009	2008
	KHR	KHR
Balances in the balance sheet: 1 US Dollar (USD)	4,173	4,125
Balances in the income statement: 1 US Dollar (USD)	4,150	4,125
Daily transactions: 1 US Dollar (USD)	4,125	4,050
Balances in the balance sheet: 1 Thai Bath (THB)	126	117
Balances in the income statement: 1 US Dollar (THB)	122	117
Daily transactions: 1 Thai Bath (THB)	117	115

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 = 4,169.

(b) Financial instruments

(b.1) Financial assets

The Organization classifies its financial assets in the following categories: (i) financial assets at fair value through profit or loss; (ii) loans and receivables; (iii) held-to-maturity investments; and (iv) available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss:

This category includes financial assets held for trading.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading.

As at 31 December 2009 and 31 December 2008, the Company did not purchase any financial assets at fair value through profit or loss.

(ii) Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All loans and advances are recognised at cost less allowances for impairment losses.

(b.1) Financial assets (continued)

(iii) Held-to-maturity financial assets:

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Management has the positive intention and ability to hold to maturity.

As at 31 December 2009 and 31 December 2008, the Company did not purchase any held-to-maturity financial assets.

(iv) Financial assets available for sale:

Available-for-sale financial assets comprise equity and debt securities. These instruments are initially recognised at cost and are subsequently stated at fair value if assets are traded on an active market.

As at 31 December 2009 and 31 December 2008, the Company did not purchase any financial assets available for sale.

(b.2) Financial liabilities

The Organisation classifies its financial liabilities in the following categories: (i) financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value); (ii) financial liabilities at cost.

(i) Financial liabilities at fair value through profit or loss:

This category comprises financial liabilities classified as held for trading and financial liabilities designated as fair value through profit or loss upon initial recognition.

As at 31 December 2009 and 31 December 2008, the Company did not have any financial liabilities at fair value through profit or loss.

(ii) Financial liabilities at cost:

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at cost. Financial liabilities measured at cost are deposits from banks or customers, convertible bonds, borrowing and subordinated debts.

(b.3) Derivative financial instruments and hedge accounting

Derivatives are financial instruments: (i) whose value is changed in response to the change in specified interest rate, financial instrument price, foreign exchange rate, index of prices and rates, credit rates or credit index or other variable; (ii) that requires no initial net investment or an initial net investment is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; (iii) that is settled at a future date.

(b.3) Derivative financial instruments and hedge accounting (continued)

As at 31 December 2009 and 31 December 2008, the Company did not purchase any derivative financial instruments and did not have hedging transactions.

(b.4) Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risk and rewards or ownership of the assets are also transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

(c) Cash on hand and balances with banks

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

(d) Loans and advances to customers

Loans originated by the Company by providing money directly to the borrowers at draw down are categorised as loans and advances and are carried at cost, less allowances for impairment. Interest in suspense represents interest accrued on loan receivables that are doubtful or bad.

(e) Allowances for loan impairment

Allowances for loan impairment are based on the latest NBC guidelines and are made with regard to specific risks on loans individually reviewed and classified as normal, special mention, substandard, doubtful and loss regardless of the assets (except cash) lodged as collateral.

NBC guidelines require the following loan classification and minimum level of allowances:

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.

In accordance with NBC guidelines, overdue loans are defined as the total outstanding principal where the principal or interest is past due.

3. Significant accounting policies (continued)

(f) Recognition of interest income

Interest earned on loans and advances to customers and deposits and placements with bank are recognised on a cash basis.

(g) Recognition of interest expenses

Interest expense on deposits from borrowers is recognised on an accrual basis. Interest expense on borrowed fund is recognised on an accrual basis.

(h) 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 statement of income during the financial year in which they are incurred.

Depreciation is calculated 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)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the statement of income.

(i) Other provisions

Provisions are recognised when the Organisation 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.

(j) Operating leases

Payment made under operating leases are charged against income in equal instalments over the period of lease.

(k) Related parties

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

Under the LBFI, the definition of related parties includes parties who hold, directly or indirectly, at least 10 percent of the capital or voting rights and includes any individual who participates in the administration, direction, management or internal control of the Organisation.

4. Cash in hand

	2009		2008
	KHR'000	USD	KHR'000
Head Office (KHR)	5,091	1,221	8,690
Battambang branch (KHR)	18,915	4,537	12,635
Bavel branch (KHR)	14,121	3,387	14,543
Banteay Meanchey branch (THB)	12,648	3,034	27,526
	50,775	12,179	63,394

5. Balances with banks inside Cambodia

	2009		2008
	KHR'000	USD	KHR'000
Cambodian Public Bank - Head Office (USD)	34,244	8,214	19,586
Acleda Bank - Head Office (KHR)	384,173	92,150	170,808
Acleda Bank - Head Office (THB)	123,980	29,738	67,677
Acleda Bank - Battambang (KHR)	167,613	40,205	15,853
Acleda Bank - Battambang (USD)	1,783	428	120
Acleda Bank - Battambang (THB)	5,220	1,252	166
Acleda Bank - Moung (KHR)	15,064	3,613	12,438
Acleda Bank - Bavel (KHR)	125,195	30,030	43,996
Acleda Bank - Kamreang (KHR)	109,322	26,223	6,126
Acleda Bank - Banteay Meanchey (THB)	125,710	30,153	41,361
Acleda Bank - Preahnet Preah (THB)	40,714	9,766	12,383
	1,133,018	271,772	390,514

All the above deposits will mature within one month.

(Continued)

5. Balances with banks inside Cambodia (continued)

Further analysis are as follows:

	2009		2008
	KHR'000	USD	KHR'000
(a) By currency denomination:			
Khmer Riel	801,367	192,220	249,221
US Dollar	36,027	8,642	19,706
Thai Bath	295,624	70,910	121,587
	<u>1,133,018</u>	<u>271,772</u>	<u>390,514</u>
(b) By interest rate (per annum):			
		2009 Per annum	2008 Per annum
Cambodian Public Bank		1%	1%
Aceda Bank		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".

	2009		2008
	KHR'000	USD	KHR'000
Loans to CBMIFOs	8,468,308	2,031,256	6,493,823
Loans to SMEs	1,286,476	308,581	1,180,096
Accrued interest receivable from loans	-	-	-
	<u>9,754,784</u>	<u>2,339,837</u>	<u>7,673,919</u>
Provisions for doubtful debts - Specific	<u>(65,613)</u>	<u>(15,737)</u>	<u>(37,820)</u>
	9,689,171	2,324,100	7,636,099

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

	2009		2008
	KHR'000	USD	KHR'000
Balance at 1 January	37,820	9,072	137,738
Addition during the year	36,724	8,809	39,208
Recovery during the year	(3,694)	(887)	(134,709)
Write off during the year	<u>(5,237)</u>	<u>(1,257)</u>	<u>(4,417)</u>
Balance at 31 December	65,613	15,737	37,820

(Continued)

6. Loans and advances to customers (continued)

(ii) Further classification is as follows:

	2009		2008
	KHR'000	USD	KHR'000
Standard loans:			
Secured	9,559,525	2,293,002	7,547,755
Unsecured	98,710	23,677	67,065
Sub-standard loans:			
Secured	-	-	9,937
Unsecured	-	-	-
Doubtful loans:			
Secured	92,093	22,090	44,352
Unsecured	963	231	-
Loss loans:			
Secured	-	-	4,810
Unsecured	3,493	837	-
	9,754,784	2,339,837	7,673,919

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

	2009		2008
	KHR'000	USD	KHR'000
(a) By maturity period:			
Within one month	130,465	31,294	14,955
One to three months	527,696	126,576	25,994
Four to six months	818,201	196,258	109,536
Seven to twelve months	4,345,979	1,042,451	4,270,450
Over one year but within three years	3,295,939	790,583	2,558,032
Over three years but within five years	636,504	152,675	694,952
No fixed maturity date	-	-	-
	9,754,784	2,339,837	7,673,919
(b) By branch:			
Battambang branch	4,895,185	1,174,187	4,038,819
Banteay Meanchey branch	2,395,044	574,489	1,592,018
Bavel branch	2,464,555	591,161	2,043,082
	9,754,784	2,339,837	7,673,919

(Continued)

6. Loans and advances to customers (continued)

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

(c) By security:

Secured	9,631,621	2,310,295	7,606,854
Unsecured	123,163	29,542	67,065
	<u>9,754,784</u>	<u>2,339,837</u>	<u>7,673,919</u>

(d) By currency denomination:

Thai Bath	2,395,044	574,489	1,592,018
Khmer Riel	7,359,740	1,765,348	6,081,901
	<u>9,754,784</u>	<u>2,339,837</u>	<u>7,673,919</u>

(e) By status of residence:

Residents	<u>9,754,784</u>	<u>2,339,837</u>	<u>7,673,919</u>
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(f) By relationship:

Related parties	-	-	-
Non related parties	<u>9,754,784</u>	<u>2,339,837</u>	<u>7,673,919</u>
	<u>9,754,784</u>	<u>2,339,837</u>	<u>7,673,919</u>

	2009		2008
(g) By economic sectors:	KHR'000	USD	KHR'000
Agriculture	4,687,720	1,124,423	4,912,999
Construction	248,165	59,526	360,948
Services	239,055	57,341	380,698
Trade and Others	<u>4,579,844</u>	<u>1,098,547</u>	<u>2,019,274</u>
	<u>9,754,784</u>	<u>2,339,837</u>	<u>7,673,919</u>

7. Property and equipment

	Motorbikes	Office equipment	IT & computer equipment	Total
Cost	KHR'000	KHR'000	KHR'000	KHR'000
At 1 January 2009	17,849	7,064	8,022	32,935
Additions	19,058	8,250	7,466	34,774
Unrealized exchange rate	429	178	182	789
At 31 December 2009	<u>37,336</u>	<u>15,492</u>	<u>15,670</u>	<u>68,498</u>
Accumulated depreciation				
At 1 January 2009	11,422	4,274	7,504	23,200
Charges for the year	11,934	2,834	2,467	17,235
Unrealized exchange rate	273	84	113	470
At 31 December 2009	<u>23,629</u>	<u>7,192</u>	<u>10,084</u>	<u>40,905</u>
Net book value				
At 31 December 2009	<u>13,707</u>	<u>8,300</u>	<u>5,586</u>	<u>27,593</u>
At 31 December 2008	<u>6,427</u>	<u>2,790</u>	<u>518</u>	<u>9,735</u>

Equivalents in USD	Motorbikes	Office equipment	Computer & IT equipment	Total
Cost	USD	USD	USD	USD
At 1 January 2009	4,281	1,694	1,924	7,899
Additions	4,675	2,022	1,835	8,532
At 31 December 2009	<u>8,956</u>	<u>3,716</u>	<u>3,759</u>	<u>16,431</u>
Accumulated depreciation				
At 1 January 2009	2,740	1,025	1,800	5,565
Charges for the year	2,928	700	619	4,247
At 31 December 2009	<u>5,668</u>	<u>1,725</u>	<u>2,419</u>	<u>9,812</u>
Net book value				
At 31 December 2009	<u>3,288</u>	<u>1,991</u>	<u>1,340</u>	<u>6,619</u>
At 31 December 2008	<u>1,541</u>	<u>669</u>	<u>124</u>	<u>2,334</u>

8. Other assets

	2009		2008
	KHR'000	USD	KHR'000
Stock of office supplies	1,795	431	19,711
Prepaid expenses	27,845	6,679	41,831
Other receivables	25,296	6,067	-
Deposit in registered stock shares of Consorzio ETIMOS	15,814	3,793	6,659
Advances to employees	-	-	3,465
	70,750	16,970	71,666

9. Deposits of borrowers/members

	2009		2008
	KHR'000	USD	KHR'000
CBMIFO savings:			
Voluntary savings	-	-	278,213
Compulsory savings	770,873	184,906	222,896
Demand savings	216,108	51,837	119,021
Promissory notes	-	-	13,955
	986,981	236,743	634,085
SMEs savings:			
Voluntary savings	5,368	1,288	4,306
Compulsory savings	132,902	31,879	103,584
Promissory notes	199,498	47,852	161,931
Capital build up	8,675	2,081	24,434
Dormant account	9,183	2,202	-
	355,626	85,302	294,255
	1,342,607	322,045	928,340

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".

(Continued)

9. Deposits of borrowers/members (continued)

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:	2009		2008
	KHR'000	USD	KHR'000
Balance at 1 January	928,340	222,677	570,247
Addition during the year	1,242,054	297,926	916,222
Withdrawal during the year	<u>(827,787)</u>	<u>(198,558)</u>	<u>(558,129)</u>
Balance at 31 December	<u>1,342,607</u>	<u>322,045</u>	<u>928,340</u>

(Continued)

9. Deposits of borrowers/members (continued)

(ii) Further classification is as follows:

(a) By currency denomination:	2009		2008
	KHR'000	USD	KHR'000
Khmer Riel	939,317	225,310	638,137
US Dollar	163,796	39,289	143,888
Thai Bath	239,494	57,446	146,315
	<u>1,342,607</u>	<u>322,045</u>	<u>928,340</u>

(b) By maturity period:	2009		2008
Within one month	230,152	55,206	147,761
One to three months	74,296	17,821	6,099
Four to six months	42,505	10,195	16,926
Seven to twelve months	142,276	34,127	199,423
More than twelve months	853,378	204,696	558,131
	<u>1,342,607</u>	<u>322,045</u>	<u>928,340</u>

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

	2009 Per annum	2008 Per annum
CBMIFO savings:		
Voluntary savings	3%-4%	3% - 4%
Compulsory savings	7%-8%	7% - 8%
Demand savings	1.50%	1.50%
SME savings:		
Voluntary savings	3%	3%
Compulsory savings	6%	6%
Demand savings	N/A	2%
Promissory notes	3-10%	3% - 10%
Capital build up	7%	7%

10. Loan protection and life savings

	2009		2008
	KHR'000	USD	KHR'000
Balance as at 01 January	571,321	137,040	373,812
Addition during the year	331,197	79,443	259,522
Repayments to customers during the year	<u>(59,747)</u>	<u>(14,331)</u>	<u>(68,625)</u>
Balance as at 31 December	<u>842,771</u>	<u>202,152</u>	<u>564,709</u>

(Continued)

10. Loan protection and life savings (Continued)

Further analysis are as follows:	2009		2008
	KHR'000	USD	KHR'000
Head Office	59,754	14,333	59,755
Battambang branch	438,220	105,114	303,018
Bavel branch	192,487	46,171	115,978
Banteay Meanchey branch	152,310	36,534	85,958
	<u>842,771</u>	<u>202,152</u>	<u>564,709</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

	2009		2008
	KHR'000	USD	KHR'000
Saving bank members Battambang branch	51,715	12,405	44,240
Saving bank members Banteay Meanchey branch	18,454	4,426	11,812
Saving bank member Bavel branch	20,250	4,857	16,250
	<u>90,419</u>	<u>21,688</u>	<u>72,302</u>

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

	2009		2008
	KHR'000	USD	KHR'000
Balance as at 01 January	73,211	17,561	60,475
Addition during the year:			
Battambang branch	7,475	1,793	6,310
Banteay Meanchey branch	5,733	1,375	2,717
Bavel branch	4,000	959	2,800
Balance as at 31 December	<u>90,419</u>	<u>21,688</u>	<u>72,302</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 licensed micro-finance institution. This amount can be withdrawn when the savings bank ceases operations or resigns from membership with CCSF.

(Continued)

12. Other liabilities

	2009		2008
	KHR'000	USD	KHR'000
Accrued expenses	21,366	5,125	29,425
Accrued interest payable	41,511	9,957	42,663
Accrued professional fees	35,470	8,508	-
Staff severance benefits	291,980	70,036	161,530
Annual bonus	-	-	55,207
Staff medical benefits	672	161	821
Annual leave	23,134	5,549	23,134
Withholding tax on salary	50,826	12,192	25,450
Service fee payable	-	-	1
	464,959	111,528	338,231

13. Long term borrowings

	2009		2008
	KHR'000	USD	KHR'000
Rabo Bank - interest bearing (*)	2,295,150	550,528	876,563
Credit Union Foundation Austria Limited (CUFA)	-	-	380,597
Borrowings from Consorzio ETIMOS (**)	1,143,611	274,313	825,000
Loans from an individual (***)	312,975	75,072	288,750
	3,751,736	899,913	2,370,910

	2009		2008
	KHR'000	USD	KHR'000
Further analysis are as follows:			
Balance as at 01 January	2,370,909	568,700	1,134,600
Movements during the year:			
Proceeds from borrowings	2,433,750	583,773	1,540,059
Repayments	(1,078,609)	(258,721)	(303,749)
Re-allocation from grant income	(17,468)	(4,190)	-
Re-allocation from exchange gain/(loss)	43,154	10,351	-
Balance as at 31 December	3,751,736	899,913	2,370,910

(Continued)

13. Long term borrowings (continued)

(*) The loan obtained from Stichting Rabobank Foundation, a foundation established in the Netherlands, was contracted on 02 July 2009 for a total amount of USD 400,000. The borrowing is for a duration of five years with one year grace period and is repayable semiannually, commencing on 31 December 2010. The interest rate is 6% per annum. Interest is to be paid semi-annually, commencing on 31 December 2009.

(**) 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 semi-annual instalments commencing on 16 July 2008 for both borrowings.

On 23 September 2009, the Organisation entered into another loan agreement with Consorzio ETIMOS to borrow the sum of USD 150,000. The borrowing is for a duration of three years ending 24 September 2012 and is repayable semi-annually, commencing on 24 September 2010. The interest rate is 6 months LIBOR plus 5.5%. Interest is to be paid semi-annually, commencing on 24 March 2010.

(***) This represents the outstanding balances of three short-term loans contracted in 2008 and 2009 from one individual which will mature within one year.

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

	2009	2008
	% p. a	% p. a
Rabo Bank - interest bearing	6%	5%
Credit Union Foundation Austria Limited (CUFA)	N/A	N/A
Etimos	7.18% - 9.28%	7.18% - 9.28%
Individual borrowing	14%	14%

14. Project seed capital

	2009		2008
	KHR'000	USD	KHR'000
Project seed capital under CUFA funds	83,365	19,996	83,365
Project seed capital under AusAID funds	866,456	207,833	866,456
	949,821	227,829	949,821

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.

(Continued)

15. Interest income

Interest income was made from the following sources:

	2009		2008
	KHR'000	USD	KHR'000
Deposits and placements with banks	15,255	3,659	18,631
Loans and advances	2,022,321	485,086	1,539,148
	2,037,576	488,745	1,557,779

16. Interest expense

	2009		2008
	KHR'000	USD	KHR'000
Interest expense on savings	74,319	17,827	40,057
Interest expense on borrowings	181,754	43,596	103,865
	256,073	61,423	143,922

17. Non-interest income

	2009		2008
	KHR'000	USD	KHR'000
Member entrance fees	-	-	178
Services fees	-	-	78,244
Penalties fees	10,398	2,494	8,760
Sales of stationeries	107,862	25,872	-
Gain on exchange rates	193,485	46,410	1,476
Others	12,023	2,885	166,190
	323,768	77,661	254,848

18. Payroll and other staff costs

	2009		2008
	KHR'000	USD	KHR'000
Salaries	694,155	166,504	607,425
Staff medical benefits	33,295	7,986	39
Staff severance benefits	166,395	39,913	95,116
Annual leave	1,038	249	28
	894,883	214,652	702,608

(Continued)

19. Other operating expenses

	2009		2008
	KHR'000	USD	KHR'000
Insurance expenses	3,609	866	3,727
Training/workshops and conferences	84,603	20,293	56,256
Rental fees	101,165	24,266	88,524
Utilities expenses	23,754	5,698	25,086
Repair and maintenance	7,288	1,748	12,704
Office supplies and stationeries	24,080	5,776	19,935
Fuel and gasoline expenses	21,237	5,094	27,691
Travelling expenses	23,781	5,704	10,586
Communication expenses	23,671	5,678	23,061
Professional fees	75,140	18,024	29,847
Amortizations cost	-	-	5,079
Representation cost	799	192	5,109
Affiliation fees	4,166	999	4,066
Annual general meeting	1,131	271	2,009
Litigation fees	1,761	422	2,612
Social service fees	480	115	1,140
IEC expenses	45,718	10,966	45,738
LPLS premium expenses	31,880	7,647	21,876
Loan charge on borrowing	1,556	373	2,025
Bank charge	9,889	2,372	9,041
Taxes and license	32,794	7,866	5,974
Other expenses	80,057	19,204	48,067
	598,559	143,574	450,153

20. Grant income

	2009		2008
	KHR'000	USD	KHR'000
CUFA	17,468	4,190	-
CCA	-	-	862
Agriterra	-	-	33,695
	17,468	4,190	34,557