

ANNUAL REPORT



2010

TABLE OF CONTENT

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 CBMIFO’s Directors & Management Competencies.....	9
2.1.2 Annual General Meeting.....	9
2.1.3 Planning.....	10
2.1.4 Monitoring and internal audit	10
2.1.5 In-country cross visit.....	11
2.2 Federation level	11
2.2 Federation level	12
2.2.1 Building CCSF staff competencies	12
3. PERFORMAMCE OUTPUTS	14
3.1 Geographical coverage.....	14
3.2.Outreach.....	14
3.3. Portfolio of CBMIFO’s movement	15
3.4 Summary key operational highlight of CBMIFO’s movement	15
3.5 Portfolio of the Federation (CCSF):	16
3.6 Loan Protection & Life Saving Program.....	16
3.7 Summary highlights (CCSF)	18
4. AUDIT REPORT	19

1. CCSF AT A GLANCE

1.1 Legal Status

Cambodian Community Savings Federation was previously known as a Small Economic Activity Development project of CARE Cambodia, financially supported by AusAID thru CARE Australia. The project has been transformed on 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, CCSF operates as a federation of credit unions 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 first pioneer of credit union in Cambodia, empowering 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. 32 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.

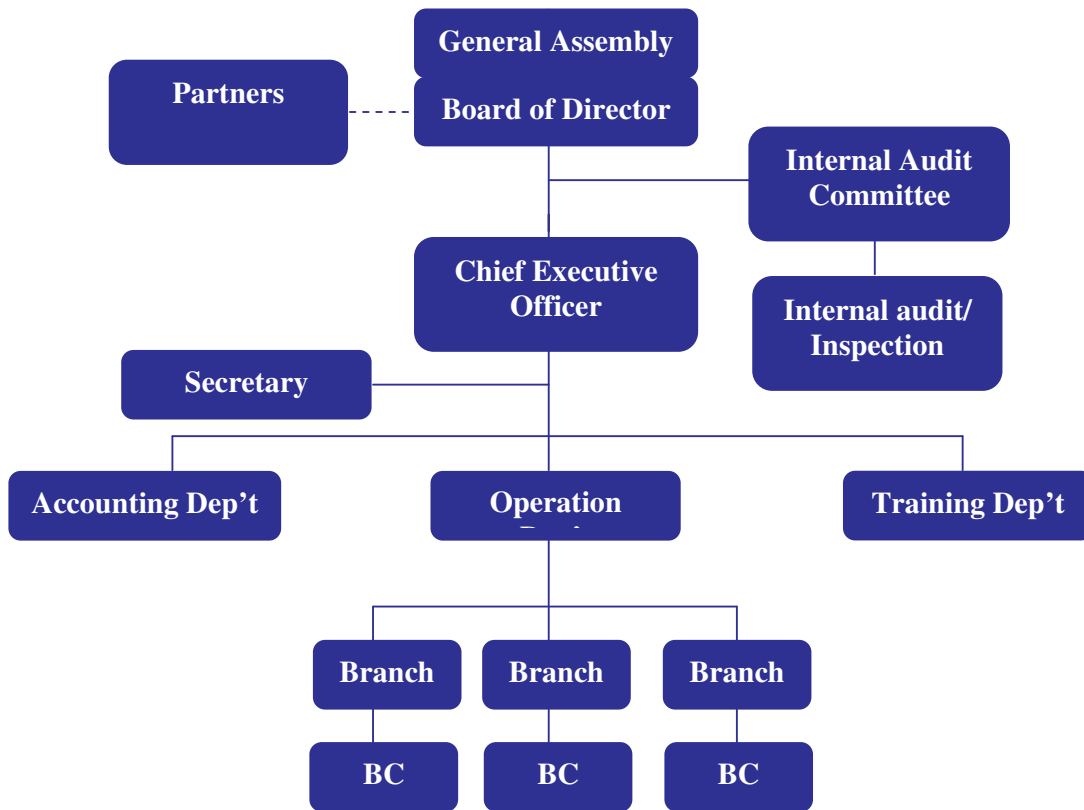
1.3 History

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. - Operation area: 8 districts in Battambang province, 5 districts in Banteay Meanchey province. Total 13 districts.
2007	<ul style="list-style-type: none"> - CCSF reaches operational self-sufficiency by the end of 2007. - 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.

Year	Main Activities
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. - 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 Battambang 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 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.

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 months.

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.

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 & liability management, is essential to safeguard 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.

Advanced training on Position CU in the Market Place has been provided to 42, of which 21 are women, CBMIFOs directors, managers, and employees.

After launching out an internal control system of the CBMIFOs, a two day workshop on experience exchange on Best Practices and Challenges of launching out the system has been conducted. 45 participants, General Managers, Internal Control Officers, and Internal Audit Committee members, of which 17 are women, were participated the workshop.

Basic training on awareness of importance of savings is on-going provided in the field by CCSF Member Service Officers (MSOs) to the new elected 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.



Several meetings have been conducted during the year, attended by directors and managers and facilitated by the MSOs, aiming at reviewing and improving operating policies of the CBMIFOs to suit the current situation responsive to the market demands. As results, operating policy of matured CBMIFOs has been modified ensuring that competitive advantage to better serving the members, whilst reaching financial viability.

2.1.2 Annual General Meeting

The CBMIFOs held Annual General Meeting (AGM) annually. As of December 2010, there are 382 volunteers, of which 177 are female, are elected by the AGM. Among those, there are 130 BoD members, 49 are female; 66 SC members, 34 are female; 6 Executive members, 2 are female.

There are 180 Credit Committee members, 92 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 sustainable growth of the CBMIFO's movement. Particularly, 243 employees, of which 146 are female, have been employed by the CBMIFOs to manage day-to-day operation.



2.1.3 Planning

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 and budget plan for the next financial year. The BoD, Committee members, and the employees of the CBMIFOs meet every month to review the progress against their action plan and to address issues that may arise.

The aim of the workshop is also to reinforce reaching its goals and simultaneously to identify potential strategies to address weakness areas in order gain competitive advantage of better serving the members in the coming years. Thus, strength and challenges of the CBMIFOs had been discussed, areas where need to improve were identified, and strategies are set to address the challenges.

2.1.4 Monitoring and internal audit:

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. It also ensures that transparency within the system is in place.

As per plan, 12 matured CBMIFOs have been adopted new internal audit policy and procedures. The directors and management staff of the CBMIFOs have been challenging with the new introduced system. Although the system does not run very well at the early stage, however, it is a good signal of starting point of professional process of the CBMIFOs. The directors, managers, and staff gradually increase their responsibilities and accountabilities within their functions.



2.1.5 In-country cross visit:



An inauguration of new office of a CBMIFO named “**Rung Roeng**” has been conducted presided over by Mr. In Sorvichet, Deputy District Chief of Monkul Borey district. More than 300 attendees, including, village and commune chiefs, CBMIFO’s BoD, committee members, employees, members, and CCSF staff, attend the event. This is the first office of the CBMIFOs in Banteay Meanchey province.



The inauguration ceremony has built an image of the CBMIFO in the market place, and demonstrated that the poor do save for their future life. It is also encouraged and motivated the CBMIFO’s directors and management to trust the model, and be committed to support the CBMIFOs towards financial viability.

One day cross visit has been conducted in conjunction with this event for the newly established CBMIFO to visit Rung Roeng office. The aim of the visit is to gain more experiences on how to build good governance while position itself in the market place.

2.2 Federation level:

2.2.1 Building CCSF staff competencies:

Continue to advance staff capacity is one of CCSF strategies of building sound and safe CBMIFOs and CCSF itself. In the year of 2010, there are several training course provided to staff members.

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

- 1) Management Information System provided to 7 staff, of which 4 are female.
- 2) CBMIFO's accounting policy & procedures, provided to 26 CCSF staff, 7 are female staff.
- 3) Branch Management provided to 13 CCSF staff, 3 are female, participated by Branch Managers and deputies, Business Center Team Leaders and deputies.
- 4) Positioning Credit Unions in the market place provided to 47 CCSF staff, 21 are female.

BoD members, senior staff members have also been attended 2 day workshop on strategic planning of CCSF networks, facilitated by Mr. Jan Hiens Aders, Consultant from Rabobank Foundation.



Senior staff members have also been sent to in-country six training courses organized by Cambodian Micro-finance Association (CMA).

With financial support of Rabobank Foundation, Senior Management Team members attended CEO and Human Resource Development workshops and Asian Credit Union Forum held in Seoul, South Korea, organized by ACCU, Asian Confederation of Credit Unions.

2.2.2 Annual General Meeting:

Eighth Annual General Meeting has been conducted in June 2010, participated by 32 delegates from 32 regular 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 2011 annual plan.

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

2.2.4 Internal Control Systems:

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



CCSF staff, during Annual Review Workshop, December 2010.

3. PERFORMANCE OUTPUTS

3.1 Geographical coverage:

During this reporting period, the program has been implemented in 476 villages, 86 communes within 13 districts of the two provinces.

District name in Battambang

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

District name in Banteay Meanchey

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

Number of village and communes:

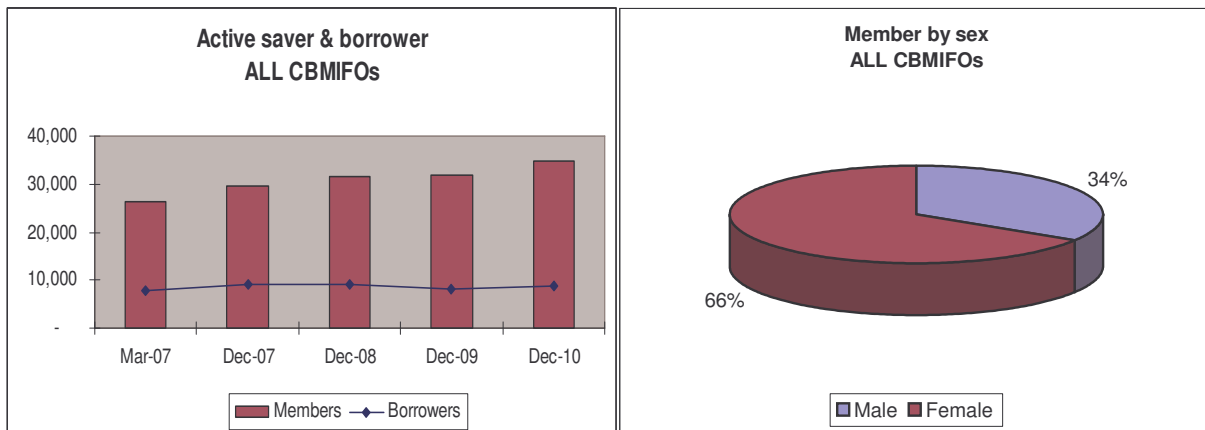
- 60communes,
- 357 villages

Number of village and communes:

- 26 communes,
- 119 villages

3.2.Outreach:

As at 31 December 2010, there are 32 active CBMIFOs with 34,860 individual active saver members, of which 66% are female. Annual growth is 9.9%. There are 8,631 active borrowers, of which 73% are female, who have borrowed loans from the CBMIFOs for setting up and improving their businesses. Annual growth of borrowers is 6.9%.

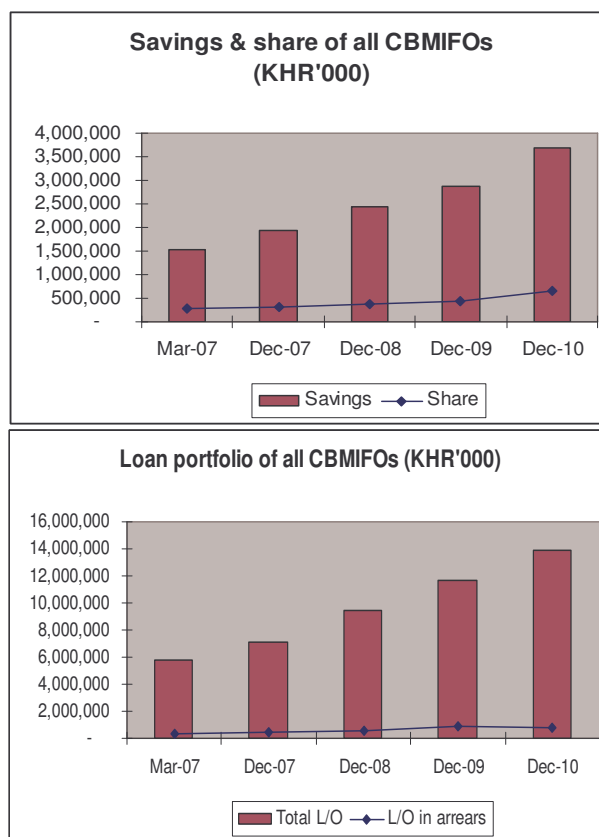


3.3. Portfolio of CBMIFO's movement:

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 in the rural areas to build savings and thrift habit, aiming at building their liquidity asset to improve their family livelihood and responsive to their emergency needs.

The CBMIFOs provide different types of loans to their members for income generation activities, consumption, and emergency purposes.

The amount of savings, share, and loan outstanding of the CBMIFO's movement grows from year after year. Annual growth of saving is 28.3%, loan is 19% and share is 31%. Average savings per member up to date is 106,000 KHR, average loan per member is 1.6 Million KHR.

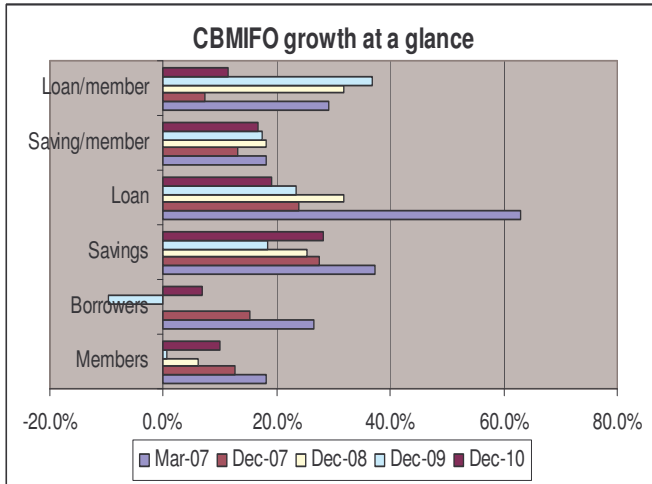


Portfolio at risk (PAR) ratio at the end of the period is 5.9%. It seems decrease when comparing with last year, which was 7.1%. Lots of effort has been invested in improving loan quality, such as, carefully screen potential members, and negotiate repayment with borrowers within their repayment capacity.

3.4 Summary key operational highlight of CBMIFO's movement:

Table below illustrates key operational performance indicators of the CBMIFO movement in 5 years at a glance.

Key Indicators Amount in KHR'000	Dec-10	Dec-09	Dec-08	Dec-07	Mar-07
Number of saver members	34,860	31,710	31,481	29,672	26,333
Amount member's savings	3,699,653	2,883,771	2,436,353	1,942,372	1,522,837
Amount member's share	561,040	425,988	379,921	327,014	269,337
Value of loan outstanding balance	13,837,536	11,622,035	9,424,222	7,156,032	5,777,652
Value of loan outstanding in arrears	823,006	835,011	505,738	389,591	295,476
Number of borrowers	8,631	8,074	8,951	8,957	7,769
Portfolio at risk ratio	5.95%	7.18%	5.37%	5.44%	5.11%
Average saving/ member	106	91	77	65	57
Average loan amount / borrower	1,603	1,439	1,053	798	743



Growth of the CBMIFOs is substantial, except the year 2007, which is quite high. Except the year 2008 & 2009, the number of borrowers is decreased 0.1% in 2008 and almost 10% in 2009. It is due to lack of loan fund responsive to member's demands, and limited capacity of staff in marketing.

However, within 5 consecutive years, the average growth of members is 9.5%, borrower is 7.7%, saving 27.4%, loan 32.2%, saving per member is 16.7% and loan per member is 23.3%.

3.5 Portfolio of the Federation (CCSF):

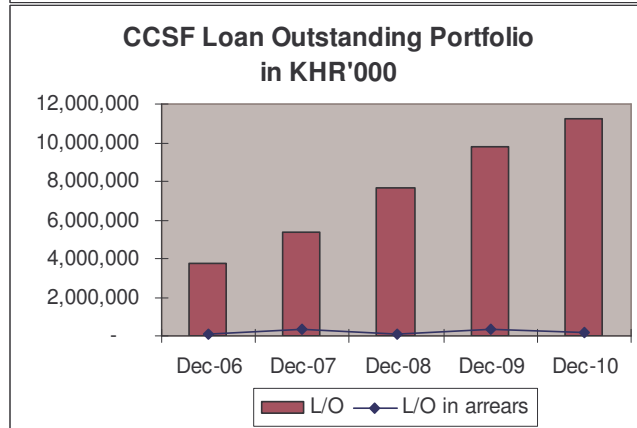
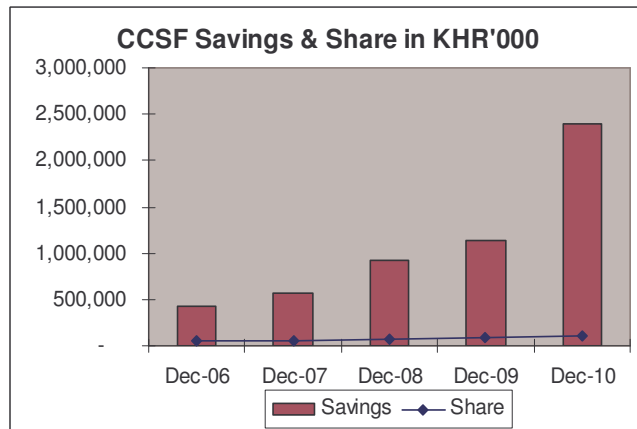
Besides providing technical assistance to the member organizations, CCSF is also a whole sale organization, providing financial services to the members through promoting savings and thrift habits and providing loans for retails sale.

Compared to the outcomes in 2009, as of results in 2010, member's saving grows substantially at 110.6%, saving is 21.6%, and loan only 15.5%.

CCSF main target is group loan. A large proportion loan outstanding, 89.8%, is lent to the CBMIFOs, of which 86.4% for productive loans, and 3.4% for institutional loans.

The remaining small proportion, 10.2% of loans, is lent to individual borrowers for productive and consumption purposes.

The portfolio at risk is 1.27%, lower than the year 2009, which is 3.5%.



3.6 Loan Protection & Life Saving Program

Along with technical assistance and financial services provided to member organizations, 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 and share claims, bonus¹, 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 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 2010, there are 35,740 members have availed CCSF LPLS program.

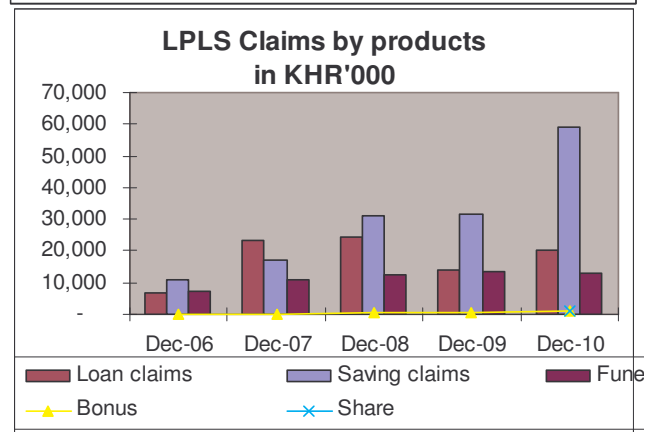
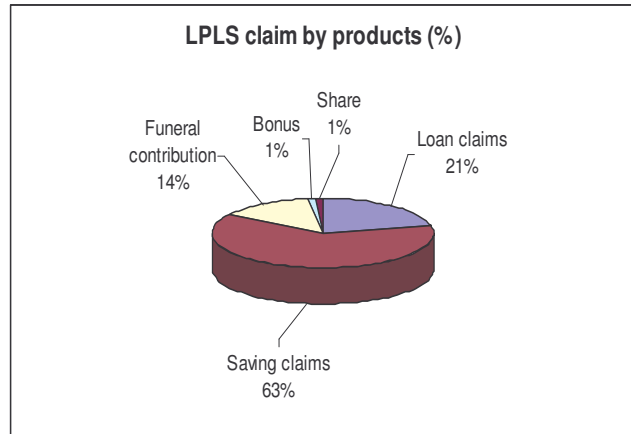
The major area of claim this year is savings, which is accounted for 63%. The second major claim is loan claim, which is 21%, and the third one is contribution to funeral, which is accounted for 14%.

The others are claim on share accounted for 1%, and bonus 1%.

Compared to the year 2009, 3 major claim products are increased. The claim on contribution funeral is declined at 3%. Overall, there is an increase of 58% claims in 2010. The figure of LPLS claims is broken down by products as below:

- Loan: 43%
- Savings: 86%
- Bonus: 160%
- Funeral contribution: -3%

The claims on bonus in 2010 are quite high compared with last year figure. It is shown that many long lasting members stay with the program, which the retention ratio is 86.4%



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.

¹ It should be noted that only those who join the program more than five years are eligible to bonus, when death occurs.

3.7 Summary highlights (CCSF)

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

Key Indicators Amount in KHR'000	2010	2009	2008	2007	2006
Operational Highlights					
Number of CBMIFOs	32	34	36	37	36
Number of groups	2,513	2,395	2,324	2,255	1,987
Number of LPLS members	35,740	31,710	31,106	28,982	24,490
Number of death/claims	274	268	278	246	173
Total amount of claims:	95,368	59,745	69,020	51,810	24,404
- amount of loan claims	20,550	14,077	24,874	23,545	6,521
- amount of savings claims	59,578	31,828	31,414	17,143	10,663
- amount of funeral contributions	13,080	13,378	12,438	11,002	7,219
- amount of bonus claims	1,201	462	294	120	-
- amount of share claims	957				
Amount of member's savings	2,387,583	1,333,423	928,340	570,247	429,648
Amount of member's share	109,907	90,418	72,302	60,475	46,578
Value of gross loan outstanding balance	11,269,905	9,754,784	7,673,919	5,365,999	3,755,352
Value of loan outstanding balance in arrears	143,333	336,332	49,162	379,740	63,854
Financial Highlights					
Return on Assets (After tax)	6.9%	5.9%	6.6%	6.0%	-3.9%
Return on Equity (ROE)	16.8%	13.6%	12.9%	10.5%	-7.7%
Leverage (Liability to Equity)	0.83	1.45	1.14	0.74	0.76
Total revenue ratio	28.6%	25.7%	28.4%	29.7%	29.2%
Portfolio yield ratio	24.2%	25.4%	25.5%	25.7%	28.0%
Operating expense ratio	15.9%	17.0%	18.3%	19.1%	32.5%
Cost of savings ratio	6.0%	6.2%	5.4%	6.0%	6.1%
Cost of borrowings ratio	6.7%	6.3%	5.9%	5.9%	1.3%
Loan loss provision expense ratio	0.1%	0.4%	0.6%	2.7%	0.8%
PAR 31-365 days	0.9%	0.8%	0.5%	6.9%	0.7%
PAR > 365 days	0.2%	0.1%	0.1%	0.1%	0.3%
Written off Ratio	0.1%	0.1%	0.1%	0.3%	1.4%

4. AUDIT REPORT



សហព័ន្ធសហគមន៍សន្សំរ្រូក់កម្ពុជា Cambodian Community Savings Federation

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 2010 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 2010 and of the results of its operations and cash flows for the year ended on that date, in accordance with the accounting policies set out in the notes to the financial statements.

On behalf of the Management

Ms. Phal Pisey
Chief Executive Officer
15 August 2011

Ms. Nget Ny
Account/Admin Manager
15 August 2011

**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 2010, 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 the accounting policies set out in the notes to the financial statements. 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 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.

(Continued)

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

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 2010 and of its results of operations and cash flows for the year then ended, in accordance with the accounting policies set out in the notes to the financial statements.

Emphasis of matters

Without qualifying our opinion, we draw attention 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.
- Note 12 to the financial statements which indicates that there is no provision for tax liabilities to take into account the effect of expenses included in the statement of income which may not be allowed to be deducted by the General Department of Taxation for tax purposes.

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

Morison Kak & Associés
Certified Public Accountants
Registered Auditors


Key KAK
Managing Partner



Date: 15 August 2011

CAMBODIAN COMMUNITY SAVINGS FEDERATION

BALANCE SHEET AS AT 31 DECEMBER 2010

	Notes	2010		2009
		KHR'000	USD	KHR'000
ASSETS				
Cash in hand	4	56,366	13,907	50,775
Balances with banks inside Cambodia	5	1,554,509	383,545	1,133,018
Loans and advances to customers	6	11,200,206	2,763,436	9,689,171
Property and equipment	7	34,432	8,495	27,593
Deferred tax assets	12	22,000	5,428	-
Other assets	8	135,701	33,482	70,750
TOTAL ASSETS		13,003,214	3,208,293	10,971,307
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Deposits of borrowers/members	9	2,387,585	589,091	1,342,607
Loan protection and life savings	10	1,180,091	291,165	842,771
Amounts due to saving bank members	11	109,917	27,120	90,419
Provision for income tax	12	149,381	36,857	-
Other liabilities	13	572,819	141,332	464,959
TOTAL LIABILITIES		4,399,793	1,085,565	2,740,756
LONG TERM BORROWINGS	14	3,301,559	814,596	3,751,736
FUND BALANCE				
Opening balance		86,720	21,396	86,720
Project seed capital	15	949,821	234,350	949,821
Net profit for the year		823,047	203,071	581,899
Accumulated earnings from prior years		3,442,274	849,315	2,860,375
TOTAL FUND BALANCE		5,301,862	1,308,132	4,478,815
TOTAL LIABILITIES AND FUND BALANCE		13,003,214	3,208,293	10,971,307

Signed and authorised for release on behalf of the Management



Ms. Phal Pisey
Chief Executive Officer
Date: 15 August 2011

Ms. Nget Ny
Account/Admin Manager
Date: 15 August 2011

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

CAMBODIAN COMMUNITY SAVINGS FEDERATION

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2010

	Opening balance KHR'000	Project seed Capital KHR'000	Accumulated earnings KHR'000	Total KHR'000
Balance as 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
Balance at 1 January 2010	86,720	949,821	3,442,274	4,478,815
Net profit for the year	-	-	823,047	823,047
Balance as at 31 December 2010	86,720	949,821	4,265,321	5,301,862
<i>(Equivalent in US Dollar)</i>	<i>21,396</i>	<i>234,350</i>	<i>1,052,386</i>	<i>1,308,132</i>

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

CAMBODIAN COMMUNITY SAVINGS FEDERATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

		2010	USD	2009
		KHR'000		KHR'000
Cash flow from operating activities				
Net cash from/(used in) operating activities	22	<u>909,628</u>	<u>224,431</u>	<u>(632,847)</u>
Cash flows from investing activities				
Purchases of property and equipment		<u>(32,369)</u>	<u>(7,986)</u>	<u>(35,563)</u>
Net cash used in investing activities		<u>(32,369)</u>	<u>(7,986)</u>	<u>(35,563)</u>
Cash flows from financing activities				
Proceeds from long-term borrowings		834,600	205,922	2,433,750
Repayments of long-term borrowings		<u>(1,284,777)</u>	<u>(316,994)</u>	<u>(1,035,455)</u>
Net cash (used in)/from financing activities		<u>(450,177)</u>	<u>(111,072)</u>	<u>1,398,295</u>
Net changes in cash and cash equivalents		427,082	105,373	729,885
Cash and cash equivalents, beginning of year		<u>1,183,793</u>	<u>292,079</u>	<u>453,908</u>
Cash and cash equivalents, end of year		<u>1,610,875</u>	<u>397,452</u>	<u>1,183,793</u>
<i>Represented by:</i>				
Cash in hand		56,366	13,907	50,775
Balances with banks in Cambodia		<u>1,554,509</u>	<u>383,545</u>	<u>1,133,018</u>
		<u>1,610,875</u>	<u>397,452</u>	<u>1,183,793</u>

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

