

**CAMBODIAN BUSINESS INTEGRATED  
IN RURAL DEVELOPMENT**

**MICRO FINANCE INSTITUTION**

(Incorporated in the Kingdom of Cambodia)

**FINANCIAL STATEMENTS  
AND  
REPORT OF INDEPENDENT AUDITORS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

# **CAMBODIAN BUSINESS INTEGRATED IN RURAL DEVELOPMENT**

(Incorporated in the Kingdom of Cambodia)

## **CORPORATE INFORMATION**

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Company	:	CAMBODIAN BUSINESS INTEGRATED IN RURAL DEVELOPMENT
Registration No.	:	Co-7859/05P
Registered office	:	No.337, Reussey Krok village, Reussey Krok commune Mongkol Borey district, Banteay Meanchey province
Shareholders	:	Mr. Prom Mary Mr. Prom Mary Kethya Ms. Kang Chhivkhiem Miss. Path Sothalay Mr. Prom Mary Prathna Mr. Sao Roeun Mr. Pon Seyha
Board of Directors	:	Mr. Prom Mary                      Chairman Mr. Sao Roeun                      Member Mr. Prom Mary Kethya              Member Ms. Chun Nuon Nimul              Member Mr. Pon Seyha                      Member
Executive Management	:	Mr. Sao Roeun                      Managing director
Auditors	:	MORISON KAK & ASSOCIES

# **CAMBODIAN BUSINESS INTEGRATED IN RURAL DEVELOPMENT**

(Incorporated in the Kingdom of Cambodia)

Financial statements for the year ended 31 December 2009

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THIS REPORT CONTAINS A SECTION FOR THE NATIONAL BANK OF CAMBODIA USE  
WHICH DOES NOT FORM PART OF THE FINANCIAL STATEMENTS (PAGE I TO VI)

## **DIRECTORS' REPORT**

The directors hereby submit their report along with the audited financial statements of Cambodian Business Integrated in Rural Development (the "Company") for the year ended 31 December 2009.

## **PRINCIPAL ACTIVITIES**

The Company is principally engaged in the provisions of micro-finance services to rural population of Cambodia. Those services comprise granting credit and saving services for poor and low-income households and small enterprises operating in the Kingdom of Cambodia.

## **RESULTS**

The results of operations for the year ended 31 December 2009 are set out in the statement of income on page 9.

## **DIVIDENDS**

There were no dividends declared or paid during the financial year.

## **SHARE CAPITAL**

There were no changes in the issued and paid-up capital of the Company during the year.

## **RESERVES AND PROVISIONS**

There were no material movements to or from reserves and provisions during the financial year.

## **BAD AND DOUBTFUL LOANS**

Before the financial statements of the Company were drawn out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and the making of provisions for doubtful loans, and satisfied themselves that all known bad loans had been written off and adequate provisions made for bad and doubtful loans.

At the date of this report, the directors are not aware of any circumstances which would render the amount carried as bad loans, or the amount of the provision for doubtful loans in the financial statements of the Company inadequate to any material amount.

## **CURRENT ASSETS**

Before the financial statements of the Company were drawn up, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

## **VALUATION METHODS**

At the date of this report, the directors are not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Company misleading or inappropriate.

## **CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of business and disclosed in the financial statements.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may have a material effect on the ability of the Company to meet its obligation as and when they fall due.

## **CHANGE OF CIRCUMSTANCES**

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company, which would render any amount stated in the financial statements misleading.

## **ITEMS OF AN UNUSUAL NATURE**

The results of the operations of the Company for the financial year were not, in the opinion of the directors, materially affected by any items, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the current period in which this report is made.

## CAMBODIAN BUSINESS INTEGRATED IN RURAL DEVELOPMENT

### DIRECTORS

The directors who serve since the date of the last report are as follows:

Mr. Prom Mary	Chairman
Mr. Sao Roeun	Member
Mr. Prom Mary Kethya	Member
Ms. Chun Nuon Nimul	Member
Mr. Pon Seyha	Member

### DIRECTORS' INTERESTS

The directors who held office at the end of the financial year and have a direct interest in the shares of the Company are as follows:

	-- Number of shares of USD 100 each --			
	Balance at 01-01-09	Bought	Sold	Balance at 31-12-09
Mr. Prom Mary	707	-	-	707
Mr. Prom Mary Kethya	150	-	-	150
Mr. Sao Roeun	20	-	-	20
Mr. Pon Seyha	129	-	-	129

### DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object of enabling directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by directors) by reason of a contract made by the Company with the directors or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, other than as disclosed in the financial statements.

(Continued)

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Board of directors is responsible to ensure that the financial statements for each financial year are properly drawn up so as to give a true and fair view of the state of affairs of the Company and of its results of operations and cash flows for the year then ended. In preparing those financial statements, the Board of directors is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) comply with the disclosure requirements and the guidelines issued by the Ministry of Finance of the Kingdom of Cambodia or, if there has been any departures in the interests of true and fair presentation, this has been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- v) effectively control and direct the Company in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Board of directors confirms that the Company has complied with the above requirements in preparing the financial statements.

Signed on behalf of the Board of directors



Mr Prom Mary  
Chairman

Date: 27 April 2010

Mr Sao Roeun  
Director

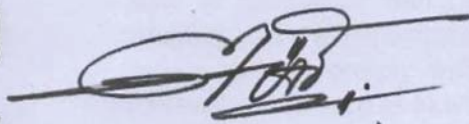
Date: 27 April 2010

## STATEMENT BY THE BOARD OF DIRECTORS

We, the directors of Cambodian Business Integrated in Rural Development (the "Company") do hereby state that in our opinion:

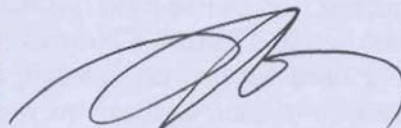
- i) The results of the operations of the Company for the financial year ended 31 December 2009 have not been materially affected by any item, transaction and event of any material and unusual nature nor has any such item, transaction and event occurred in the interval between the end of the financial year and the date of this report other than as disclosed in the financial statements, and
- ii) The accompanying financial statements of the Company have been drawn up so as to give a true and fair view of the state of affairs of the Company 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 the guidelines of the National Bank of Cambodia and the accounting policies set out in the notes to the financial statements.

On behalf of the Board of directors



Mr Prom Mary  
Chairman

Date: 27 April 2010



Mr Sao Roeun  
Director

Date: 27 April 2010

**REPORT OF INDEPENDENT AUDITORS TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF CAMBODIAN BUSINESS INTEGRATED IN RURAL DEVELOPMENT.**

We have audited the accompanying financial statements of Cambodian Business Integrated in Rural Development (the "Company"), which comprise the balance sheet as at 31 December 2009, and the related statements of income, changes in equity, 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 Cambodia and the guidelines issued by the National Bank 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. Except for the matters described in the 'Basis for qualified opinion' paragraph, we conducted our audit in accordance with Cambodian Standards on Auditing and International Standards on Auditing and the requirements of the National Bank of Cambodia ("NBC"). Those principles 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 Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Basis for qualified opinion**

The Company's loan portfolio comprises thousands of small loan receivables with different tenure and repayment conditions. Tracking over loan late repayments are made via in-house developed loan tracking system; however, the loan tracking system in place needs further improvements as it lacks the ability to generate useful information and disclosures that are required for financial reporting purposes. As a result, information regarding the classification of past due loans is limited to past due loans exceeding one year only and therefore, the Company cannot provide provisions for impairment losses categorised in accordance with NBC guidelines. The amount of provision for loan losses shown in the accompanying financial statements represents estimates made by Management based on manual tracking system and past due loans exceeding one year generated by the loan tracking system. (Continued)

**REPORT OF INDEPENDENT AUDITORS TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF CAMBODIAN BUSINESS INTEGRATED IN RURAL DEVELOPMENT (Continued)**

**Basis for qualified opinion (continued)**

There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the matter set out above. Accordingly, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that the carrying amount of provision for loan losses shown in note 7 was fairly stated. Any adjustments found to be necessary would affect the net assets of the Company as at 31 December 2009 and its results and cash flows for the year then ended.

**Qualified opinion arising from limitation of audit scope**

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matter set out in the 'Basis for qualified opinion' paragraph above, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2009 and of the Company's results of operations and cash flows for the year then ended, in accordance with the NBC's guidelines and the accounting policies set out in the notes to the financial statements.

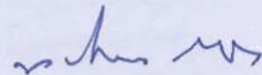
**Emphasis of matters**

Without further qualifying our opinion, we draw attention to:

- Note 9 to the financial statements which indicate that the Company has mobilised voluntary deposits from customers who are not amongst the Company's compulsory borrowers. These deposits have yet to be authorised and approved by the National Bank of Cambodia.
- Note 12 to the financial statements which indicate 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 as deduction by the General Department of Taxation for tax purposes.

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

On behalf of Morison Kak & Associés



Saksom Meas  
Managing Partner



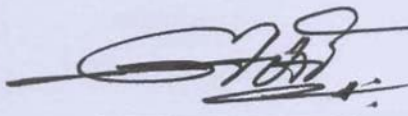
**Morison Kak & Associés**  
Certified Public Accountants  
Registered Auditors  
Date: 27 April 2010

CAMBODIAN BUSINESS INTEGRATED IN RURAL DEVELOPMENT

BALANCE SHEET AS AT 31 DECEMBER 2009


	Note	2009		2008
		USD	KHR	USD
<b>ASSETS</b>				
Cash in hand	4	141,019	587,908	55,581
Balances with banks inside Cambodia	5	7,702	32,110	6,899
Statutory deposits with central bank	6	7,616	31,751	6,918
Loans and advances to customers	7	1,223,229	5,099,642	1,012,390
Property and equipment	8	115,864	483,037	46,344
Other assets		9,165	38,209	5,060
<b>TOTAL ASSETS</b>		<b>1,504,595</b>	<b>6,272,657</b>	<b>1,133,192</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>				
<b>CURRENT LIABILITIES</b>				
Deposits from non-bank customers	9	123,365	514,309	123,688
Short-term borrowings	10	101,564	423,420	60,000
Other liabilities	11	11,296	47,093	15,859
Provisions for income tax	12	726	3,027	4,982
<b>TOTAL CURRENT LIABILITIES</b>		<b>236,951</b>	<b>987,849</b>	<b>204,529</b>
<b>LONG-TERM BORROWINGS</b>	13	<b>1,036,121</b>	<b>4,319,588</b>	<b>716,051</b>
<b>TOTAL LIABILITIES</b>		<b>1,273,072</b>	<b>5,307,437</b>	<b>920,580</b>
<b>SHAREHOLDERS' FUNDS</b>				
Share capital	14	130,200	542,804	130,200
Share premiums	15	7,095	29,579	7,095
Retained earnings		94,228	392,837	75,317
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b>231,523</b>	<b>965,220</b>	<b>212,612</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' FUNDS</b>		<b>1,504,595</b>	<b>6,272,657</b>	<b>1,133,192</b>

Signed and authorised for release on behalf of the Board



Mr Prom Mary  
Chairman

Date: 27 April 2010

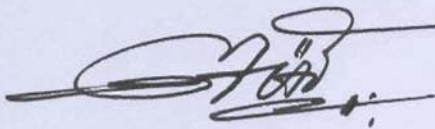
Mr Sao Roeun  
Director

Date: 27 April 2010

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

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009		2008
		USD	KHR	USD
Interest income	16	446,657	1,862,113	393,175
Interest expense	17	(103,978)	(433,484)	(86,506)
<b>Net interest income</b>		<b>342,679</b>	<b>1,428,629</b>	<b>306,669</b>
Non-interest income	18	24,922	103,900	6,912
Payroll and other staff costs		(169,456)	(706,462)	(136,896)
Depreciation of property and equipment		(14,978)	(62,443)	(14,253)
Other operating expenses	19	(113,154)	(471,739)	(118,434)
<b>Operating profit before provision for impairment</b>		<b>70,013</b>	<b>291,885</b>	<b>43,998</b>
Provision for impairment losses		(44,757)	(186,592)	(4,784)
<b>Profit before income tax</b>		<b>25,256</b>	<b>105,293</b>	<b>39,214</b>
Income tax expense	12	(6,345)	(26,452)	(8,800)



Mr Prom Mary  
Chairman

Date: 27 April 2010




Mr Sao Roeun  
Director

Date: 27 April 2010

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

CAMBODIAN BUSINESS INTEGRATED IN RURAL DEVELOPMENT

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital USD	Share premiums USD	Retained earnings USD (As restated)	Total USD
Balance at 1 January 2008	117,300	-	59,903	177,203
Increase in paid-up capital	12,900	-	-	12,900
Share premiums proceeds	-	7,095	-	7,095
Dividends paid to shareholders	-	-	(15,000)	(15,000)
Net profit for the year	-	-	30,414	30,414
<b>Balance as at 31 December 2008</b>	<b><u>130,200</u></b>	<b><u>7,095</u></b>	<b><u>75,317</u></b>	<b><u>212,612</u></b>
Balance as at 1 January 2009	130,200	7,095	75,317	212,612
Net profit for the year	-	-	18,911	18,911
<b>Balance as at 31 December 2009</b>	<b><u>130,200</u></b>	<b><u>7,095</u></b>	<b><u>94,228</u></b>	<b><u>231,523</u></b>
<i>Balance as at 31 December 2009 (KHR'000 equivalents)</i>	<b><u>542,804</u></b>	<b><u>29,579</u></b>	<b><u>392,837</u></b>	<b><u>965,220</u></b>

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

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

	2009		2008
	USD	KHR'000	USD
<b>Cash flows from operating activities</b>			(As restated)
Profit before income tax	25,256	105,293	39,214
<i>Adjustments for:</i>			
Gain on sale of property and equipment	(1,652)	(6,887)	-
Depreciation of property and equipment	14,978	62,443	14,253
Property and equipment written off	-	-	5,052
Operating profit before working capital changes	38,582	160,849	58,519
Increase / (decrease) in cash attributable to changes in working assets and liabilities:			
Loans and advances to customers	(210,839)	(878,988)	(148,910)
Statutory deposits with central bank	(698)	(2,910)	20
Other assets	(4,104)	(17,112)	1,240
Deposits from non-bank customers	(323)	(1,347)	(16,968)
Short term borrowings	41,564	173,280	44,000
Other liabilities	(4,563)	(19,023)	(704)
Cash used in operations	(140,381)	(585,251)	(62,803)
Income tax paid	(10,601)	(44,196)	(8,833)
<b>Net cash used in operating activities</b>	<b>(150,982)</b>	<b>(629,447)</b>	<b>(71,636)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property and equipment	1,651	6,887	-
Purchases of property and equipment	(84,498)	(352,273)	(8,077)
<b>Net cash used in investing activities</b>	<b>(82,847)</b>	<b>(345,386)</b>	<b>(8,077)</b>
<b>Cash flows from financing activities</b>			
Repayments of long-term borrowings	(335,439)	(1,398,445)	(363,282)
Proceeds from long-term borrowings	655,509	2,732,817	450,000
Dividends paid	-	-	(15,000)
Proceeds from issue of shares	-	-	19,995
<b>Net cash generated from financing activities</b>	<b>320,070</b>	<b>1,334,372</b>	<b>91,713</b>

(Continued)

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009  
(CONTINUED)**

	2009		2008
	USD	KHR'000	USD
<b>Net changes in cash and cash equivalents</b>	<b>86,241</b>	<b>359,539</b>	<b>12,000</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>62,480</b>	<b>260,479</b>	<b>50,480</b>
<b>Cash and cash equivalents, end of year</b>	<b>148,721</b>	<b>620,018</b>	<b>62,480</b>
<i>Represented by:</i>			
Cash in hand	141,019	587,908	55,581
Balances with banks inside Cambodia	7,702	32,110	6,899
	<b>148,721</b>	<b>620,018</b>	<b>62,480</b>

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

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

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**1. General**

Cambodian Business Integrated in Rural Development (“the Company” or “CBIRD”), was initially a local NGO registered with the Ministry of Interior under registration letter No. 277 dated 28 March 2000. The NGO further obtained from the National Bank of Cambodia a registration to operate as a registered Micro Finance Institution on 9 August 2002.

The Company was incorporated and registered with the Ministry of Commerce on 6 July 2005 and obtained a three year term licence from the National Bank of Cambodia (“NBC”) to operate as a Micro Finance Institution on 26 July 2005. The Company obtained a Micro Finance licence with permanent validity from NBC on 10 July 2008. Under the micro finance licence, the Company is authorised to grant credit services for poor and low-income households and small enterprises operating in the Kingdom of Cambodia.

The head office is located in Banteay Meanchey province at No.337, Reussey Krok village, Reussey Krok commune, Mongkol Borey district, and as at 31 December 2009, the Company employed 67 employees (31 December 2008: 54 employees).

**2. Basis of preparation and aggregation**

**2.1 Basis of preparation**

The financial statements of the Company are prepared under the historical cost convention in accordance with the guidelines issued by the NBC, accounting principles generally accepted in Cambodia and practice within the micro-finance industry. Those principles require that financial instruments be carried at cost less provision for impairment. This practice differs from the International Financial Reporting Standards which require that loans and receivables be carried at amortised cost using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

The presentation of financial statements in conformity with accounting principles generally accepted in Cambodia as modified by NBC guidelines requires that Management make estimates and assumptions that affect the amounts reported in financial statements and accompanying notes. The estimates have been made based on existing available information and Management’s judgment. Due to the fact that an active market does not exist for a significant portion of the Company’s assets and liabilities, it is possible that actual results could differ from those estimates.

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

## **2. Basis of preparation and aggregation (continued)**

### **2.1 Basis of preparation (continued)**

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Company transacts essentially in US Dollar (“USD”) and maintains its books of accounts primarily in USD, the Management has determined the USD to be the Company’s measurement and functional currency as it reflects the economic substance of the underlying events and circumstances of the Company.

In compliance with the requirements of the NBC, all assets, liabilities, profit and loss statement items in foreign currencies at the end of the year are converted into thousand Khmer Riel (“KHR’000”) using the official exchange rate announced by the NBC at the balance sheet date, of 1 USD = 4,169 KHR (31 December 2008: KHR 4,081). The purposes of such conversions are to comply with NBC’s financial statements presentation guidelines only and should not be construed as representations that the KHR amounts have been, could be, or could in the future be, converted into USD at this or any other rate of exchange.

### **2.2 Basis of aggregation**

The financial statements include the financial statements of the head office and branches located in Banteay Meanchey, Battambang, Pailin, Prey Veng and Siem Reap provinces. All significant inter-branch transactions are eliminated in full on aggregation of balances.

## **3. Significant accounting policies**

### **(a) Foreign currencies**

Assets and liabilities expressed in currencies other than USD are translated into USD at the rate of exchange quoted by the NBC at the date of the balance sheet. Income and expenses arising in foreign currencies are converted at the rate of exchange prevailing on the transaction dates. Exchange differences arising from conversion are reported on a net basis in the statement of income.

### **(b) Financial instruments**

#### **(b.1) Financial assets**

The Company 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.

### **3. Significant accounting policies (continued)**

#### **(b) Financial instruments (continued)**

##### **(b.1) Financial assets (continued)**

###### **(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.

###### **(iii) Held-to-maturity financial assets:**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's 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 Company 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.

### **3. Significant accounting policies (continued)**

#### **(b) Financial instruments (continued)**

##### **(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.

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) Segment information**

The Company operates within one business segment which is micro finance operation, and within one geographical segment, the Kingdom of Cambodia

#### **(d) 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.

#### **(e) Statutory deposits with central bank**

Statutory deposits represent mandatory reserve deposits and cash maintained with the NBC in compliance with the Law on Banking and Financial Institutions (“LBFI”) and are not available to finance the Company’s day-to-day operations and hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

#### **(f) 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.

#### **(g) 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.

**3. Significant accounting policies (continued)**

**(g) Allowances for loan impairment (continued)**

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.

**(h) Recognition of interest income**

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

**(i) Recognition of interest expenses**

Interest expense on deposits from borrowers is recognised on a cash basis. Interest expense on borrowed fund is recognised on cash basis.

**(j) 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:

Building	Straight line	5%
Furniture and fixtures	Straight line	33.33%-100%
Office and computer equipment	Straight line	33.33%-100%
Motor vehicles	Straight line	20% - 33.33%

### **3. Significant accounting policies (continued)**

#### **(j) Property and equipment (continued)**

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.

#### **(k) Other provisions**

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

#### **(l) Income tax**

Income tax expense on the profit or loss for the financial year comprises current and deferred tax. Income tax is calculated on the basis of taxable profit, which is calculated by adjusting the financial results for certain expense items (such as costs of representation, over/under depreciation, etc.) in accordance with Cambodian regulations. Taxes other than on income are recorded within operating expenses.

##### **(l.1) Current income tax**

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

##### **(l.2) Deferred income tax**

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rate enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3. Significant accounting policies (continued)

#### (m) Operating leases

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

#### (n) 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 Company.

### 4. Cash in hand

	2009		2008
	USD	KHR'000	USD
Head office - KHR	34	142	6,503
Head office - THB	11	46	7
Head office - USD	76,089	317,215	18,390
Battambang - KHR	8,246	34,378	1,955
Battambang - USD	4,613	19,232	6,007
Siem Reap - KHR	11,198	46,684	2,926
Siem Reap - USD	2,513	10,477	698
Prey Veng - KHR	3,639	15,171	2,854
Prey Veng - USD	2,243	9,351	1,392
Pailin - USD	907	3,781	2,697
Pailin - THB	6,992	29,150	6,532
Banteay Meanchey - USD	4,006	16,701	1,890
Banteay Meanchey - THB	20,528	85,580	3,730
	<b>141,019</b>	<b>587,908</b>	<b>55,581</b>

**5. Balances with banks inside Cambodia**

	2009		2008
	USD	KHR'000	USD
Savings accounts at Canadia Bank Plc (*):			
Head office - USD	154	642	212
Battambang - KHR	104	434	106
Battambang - USD	64	267	150
Siem Reap - KHR	126	525	129
Siem Reap - USD	68	283	78
Prey Veng - USD	112	467	101
Prey Veng - KHR	835	3,481	-
Pailin - USD	59	246	105
Pailin - THB	6,058	25,256	4,471
Banteay Meanchey - USD	52	217	54
Banteay Meanchey - THB	70	292	1,493
	<b>7,702</b>	<b>32,110</b>	<b>6,899</b>

(\*) The above deposits bear interests at 2% per annum for Khmer Riel deposit and 0.75% per annum for US Dollar and Thai Bath deposits.

**6. Statutory deposits with central bank**

	2009		2008
	USD	KHR'000	USD
Capital guarantee with NBC (*)	6,666	27,790	5,938
Reserve requirement with NBC	950	3,961	980
	<b>7,616</b>	<b>31,751</b>	<b>6,918</b>

(\*) This represents a five percent interest-bearing statutory deposit on capital to comply with NBC's *Prakas* No.B 7-00-06 dated 11 January 2000 amended by *Prakas* No. B 7-06-209 dated 13 September 2006.

This statutory deposit is interest bearing at ½ of the six-month period refinancing rate set by the NBC for statutory deposit maintained in Khmer Riel and 3/8 of the six-month period SIBOR rate for statutory deposit maintained in US Dollar.

**7. Loans and advances to customers**

	2009		2008
	USD	KHR'000	USD
Loans to customers	1,254,375	5,229,489	1,007,508
Staff loans	1,205	5,024	10,795
	1,255,580	5,234,513	1,018,303
Provisions for doubtful debts – Specific	(32,351)	(134,871)	(5,913)
	<b>1,223,229</b>	<b>5,099,642</b>	<b>1,012,390</b>

**7. Loans and advances to customers (continued)**

(i) Movements in provisions for impairment losses are as follows:

	2009		2008
	USD	KHR'000	USD
Balance at beginning of year	5,913	24,651	5,831
Addition during the year	44,757	186,592	4,784
Unrealised exchange difference	558	2,327	(115)
Recovery during the year	(14,897)	(62,106)	-
Write off during the year	(3,980)	(16,593)	(4,587)
At end of year	<u>32,351</u>	<u>134,871</u>	<u>5,913</u>

(ii) Further classification is as follows:

	2009		2008
	USD	KHR'000	USD
Standard loans:			
- Secured	1,223,229	5,099,642	1,017,174
- Unsecured	-	-	-
Loss loans:			
- Secured	32,351	134,871	1,129
- Unsecured	-	-	-
	<u>1,255,580</u>	<u>5,234,513</u>	<u>1,018,303</u>

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

	2009		2008
	USD	KHR'000	USD
(a) By maturity period:			
Within six months	60,142	250,732	38,937
Seven to twelve months	801,113	3,339,840	247,873
Twelve to twenty months	394,325	1,643,941	731,493
	<u>1,255,580</u>	<u>5,234,513</u>	<u>1,018,303</u>

(b) By security:

Secured	1,255,580	5,234,513	1,018,303
Unsecured	-	-	-
	<u>1,255,580</u>	<u>5,234,513</u>	<u>1,018,303</u>

(c) By currency denomination:

US Dollar	777,144	3,239,913	585,090
Khmer Riel	313,660	1,307,649	279,020
Thai Bath	164,776	686,951	154,193
	<u>1,255,580</u>	<u>5,234,513</u>	<u>1,018,303</u>

(d) By status of residence:

Residents	<u>1,255,580</u>	<u>5,234,513</u>	<u>1,018,303</u>
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**7. Loans and advances to customers (continued)**

	2009		2008
	USD	KHR'000	USD
(e) By relationship:			
Non-related parties	<u>1,255,580</u>	<u>5,234,513</u>	<u>1,018,303</u>
(f) By economic sectors:			
Agriculture	558,670	2,329,094	421,421
Household/Family	271	1,130	4,442
Services	55,216	230,196	510
Trade	616,885	2,571,794	525,168
Staff loans	1,205	5,024	10,795
Others	<u>23,333</u>	<u>97,275</u>	<u>55,967</u>
	<u>1,255,580</u>	<u>5,234,513</u>	<u>1,018,303</u>
(g) By large exposures			
Non-large exposures	<u>1,255,580</u>	<u>5,234,513</u>	<u>1,018,303</u>
(h) By annual interest rates:			
Over 18%	<u>1,255,580</u>	<u>5,234,513</u>	<u>1,018,303</u>
(i) By branches:			
Battambang-HO	20,000	83,380	20,000
Pailin	270,585	1,128,069	204,586
Banteay Meanchey	205,328	856,012	175,494
Prey Veng	240,785	1,003,833	177,623
Battambang	327,234	1,364,239	241,575
Siem Reap	<u>191,648</u>	<u>798,980</u>	<u>199,025</u>
	<u>1,255,580</u>	<u>5,234,513</u>	<u>1,018,303</u>

**8. Property and equipment**

	Furniture & fixtures	Office & computer equipment	Motor vehicles	Building	Total
Cost	USD	USD	USD	USD	USD
At 1 January 2009	7,344	27,137	62,041	25,000	121,522
Additions	-	10,088	4,910	69,500	84,498
Disposals	-	(550)	(7,200)	-	(7,750)
Adjustments	-	9,059	(9,059)	-	-
At 31 December 2009	7,344	45,734	50,692	94,500	198,270
<b>Accumulated depreciation</b>					
At 1 January 2009	7,162	27,137	37,877	3,002	75,178
Charges for the year	497	7,462	3,882	3,137	14,978
Disposals	-	(550)	(7,200)	-	(7,750)
Adjustments	(455)	1,012	(557)	-	-
At 31 December 2009	7,204	35,061	34,002	6,139	82,406
<b>Net book value</b>					
<b>At 31 December 2009</b>	<b>140</b>	<b>10,673</b>	<b>16,690</b>	<b>88,361</b>	<b>115,864</b>
<b>At 31 December 2008</b>	<b>182</b>	<b>-</b>	<b>24,164</b>	<b>21,998</b>	<b>46,344</b>
Depreciation charge for 2008	123	12,102	876	1,152	14,253

(Continued)

**CAMBODIAN BUSINESS INTEGRATED IN RURAL DEVELOPMENT**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**8. Property and equipment (continued)**

Equivalents in KHR'000	Furniture & fixtures KHR'000	Office & computer equipment KHR'000	Motor vehicles KHR'000	Building KHR'000	Total KHR'000
<b>Cost</b>					
At 1 January 2009	30,616	113,134	258,648	104,225	506,623
Additions	-	42,057	20,470	289,746	352,273
Disposals	-	(2,293)	(30,017)	-	(32,310)
Adjustments	-	37,767	(37,767)	-	-
At 31 December 2009	30,616	190,665	211,334	393,971	826,586
<b>Accumulated depreciation</b>					
At 1 January 2009	29,858	113,134	157,909	12,515	313,416
Charge for the year	2,072	31,109	16,184	13,078	62,443
Disposals	-	(2,293)	(30,017)	-	(32,310)
Adjustments	(1,897)	4,219	(2,322)	-	-
At 31 December 2009	30,033	146,169	141,754	25,593	343,549
<b>Net book value</b>					
<b>At 31 December 2009</b>	<b>583</b>	<b>44,496</b>	<b>69,580</b>	<b>368,378</b>	<b>483,037</b>
<b>At 31 December 2008</b>	<b>758</b>	<b>-</b>	<b>100,739</b>	<b>91,710</b>	<b>193,207</b>
Depreciation charge for 2008	513	50,453	3,652	4,803	59,421

**9. Deposits from non-bank customers**

	2009		2008
	USD	KHR'000	USD
Voluntary savings	18,687	77,906	5,716
Compulsory savings	104,678	436,403	117,972
	<b>123,365</b>	<b>514,309</b>	<b>123,688</b>

a) Further analysis is as follows:

	2009		2008
(i) By currency denomination:	USD	KHR'000	USD
Khmer Riel	29,985	125,008	65,498
US Dollar	72,798	303,495	33,336
Thai Bath	20,582	85,806	24,854
	<b>123,365</b>	<b>514,309</b>	<b>123,688</b>

**9. Deposits from non-bank customers (continued)**

	2009		2008
	USD	KHR'000	USD
(ii) By maturity period:			
More than 12 months	<u>123,365</u>	<u>514,309</u>	<u>123,688</u>
(iii) By type of customers:			
Individuals	<u>123,365</u>	<u>514,309</u>	<u>123,688</u>
(iv) By status of residence:			
Residents	<u>123,365</u>	<u>514,309</u>	<u>123,688</u>
(v) By relationship:			
Non related parties	<u>123,365</u>	<u>514,309</u>	<u>123,688</u>

- b) The deposits bear interests at 12% per annum for voluntary savings and at 7% per annum for compulsory saving deposits with maturity of more than one year.

**10. Short-term borrowings**

	2009		2008
	USD	KHR'000	USD
Aceda Bank Plc and individual loans	-	-	60,000
Association PlaNet Finance	100,000	416,900	-
Veecus SARL	<u>1,564</u>	<u>6,520</u>	-
	<b><u>101,564</u></b>	<b><u>423,420</u></b>	<b><u>60,000</u></b>

The loan obtained from the Association PlaNet Finance based in France was contracted on 16 March 2009 for a total amount of USD 100,000 with interest rate of 9% per annum, payable semi-annually. The loan is to be repaid one year after reception of the funds by the Company.

The loan obtained from Veecus SARL - a company incorporated in France - was contracted on 25 April 2009 through the Veecus Website whereas CBIRD can obtain capital in the form of recoverable grants from individuals and entities ("Veecus clients") who also access the Website.

	2009		2008
	USD	KHR'000	USD
Movements on borrowings from Veecus:			
At beginning of year	-	-	-
Movements during the year:			
Proceeds from borrowings	2,049	8,542	-
Repayments	<u>(485)</u>	<u>(2,022)</u>	-
At end of year	<u>1,564</u>	<u>6,520</u>	-

**11. Other liabilities**

	2009		2008
	USD	KHR'000	USD
Accrued professional fees	8,000	33,352	8,000
Interests payable on depositors	3,296	13,741	7,859
	<u>11,296</u>	<u>47,093</u>	<u>15,859</u>

**12. Provision for income tax**

	2009		2008
	USD	KHR'000	USD
Balance at beginning of year	4,982	20,771	5,015
Charge during the year	6,345	26,452	8,800
Taxation paid during the year	(10,601)	(44,196)	(8,833)
<b>Balance at end of year</b>	<u>726</u>	<u>3,027</u>	<u>4,982</u>

**Tax reconciliation**

There is no tax reconciliation by the Company to take into account the effect of expenses included in the statement of income which may not be allowed by the General Department of Taxation as deduction for tax purposes. No provisions have been made in the financial statements for this additional tax liability.

**13. Long-term borrowings**

	2009		2008
	USD	KHR'000	USD
Rural Development Bank (*)	473,945	1,975,876	528,051
Rural Development Bank-IFAD (**)	156,667	653,145	188,000
Appui au Développement Autonome	200,000	833,800	-
DWM FUNDS S.C.A. - SICAV SIF	205,509	856,767	-
	<u>1,036,121</u>	<u>4,319,588</u>	<u>716,051</u>

Movements on short-term borrowings are as follows:

	2009		2008
	USD	KHR'000	USD
(*) Borrowings from RDB			
At beginning of year	528,051	2,201,444	410,000
Movements during the year:			
Proceeds from borrowing	250,000	1,042,250	450,000
Repayments	(304,106)	(1,267,818)	(331,949)
At end of year	<u>473,945</u>	<u>1,975,876</u>	<u>528,051</u>

**13. Long-term borrowings (continued)**

	2009		2008
	USD	KHR'000	USD
(**) Borrowings from RDB-IFAD			
At beginning of year	188,000	783,772	219,333
Movements during the year:			
Proceeds from borrowing	-	-	-
Repayments	(31,333)	(130,627)	(31,333)
At end of year	<u>156,667</u>	<u>653,145</u>	<u>188,000</u>

On 18 December 2008, the Company entered into a loan agreement with Appui au Développement Autonome - a not-for-profit organisation based in Luxembourg - to borrow the sum of USD 200,000. The borrowing is for a duration of five years ending 29 December 2013 and is to be repaid in two instalments of USD 50,000 in December 2012 and USD 150,000 in December 2013. The interest rate is 8% per annum under conditions that the Company completes two external ratings of its performance.

The loan obtained from DWM FUNDS S.C.A. - SICAV SIF – a partnership organized and existing under the laws of Luxembourg - was contracted on 12 November 2008 for a total amount of THB 6,827,000. The borrowing is for a duration of one year and may be extended further. The interest rate is the three-month Bangkok Interbank Offered Rate (BIBOR) + 8% per annum. Interest is to be paid by quarterly instalments, commencing on 31 August 2009.

Interests charged on these loans are as follows:	2009	2008
	Per annum	Per annum
Loans from RDB	7% - 9%	7% - 9%
ADA	8%	-
DWM	11%	-

**14. Share capital**

	2009		2008
	USD	KHR'000	USD
Ordinary shares of 400,000 Khmer Riel each:			
Balance at beginning of year	130,200	542,804	117,300
Additional shares issued during year	-	-	12,900
<b>Balance at end of year</b>	<u><b>130,200</b></u>	<u><b>542,804</b></u>	<u><b>130,200</b></u>

The details of the shareholding are as follows:	2009		2008
	USD	KHR'000	USD
Mr. Prum Mary	70,700	294,748	70,700
Mr. Prum Mary Kethya	15,000	62,535	15,000
Ms. Kang Chhiv Khiem	11,500	47,944	11,500
Miss. Path Sothalay	10,100	42,107	10,100
Mr. Prum Mary Prathna	8,000	33,352	8,000
Mr. Sao Roeun	2,000	8,338	2,000
Mr. Pon Seyha	12,900	53,780	12,900
	<u>130,200</u>	<u>542,804</u>	<u>130,200</u>

**15. Share premiums**

In October 2008, the Company had increased its paid up capital by issuing 129 ordinary shares to its staff association at face value of USD 100 with premium of USD 55 each.

**16. Interest income**

Interest income is earned from the following sources:

	2009		2008
	USD	KHR'000	USD
Loans and advances	432,467	1,802,955	389,762
Deposits and placements with banks	856	3,569	199
Other interest income	13,334	55,589	3,214
	<b>446,657</b>	<b>1,862,113</b>	<b>393,175</b>

**17. Interest expense**

	2009		2008
	USD	KHR'000	USD
Interest expense on deposits	10,802	45,034	15,276
Interest expense on borrowed funds	93,176	388,450	67,464
Other interest expenses	-	-	3,766
	<b>103,978</b>	<b>433,484</b>	<b>86,506</b>

**18. Non-interest income**

	2009		2008
	USD	KHR'000	USD
Finance charge income	19,971	83,259	3,971
Others	4,951	20,641	2,941
	<b>24,922</b>	<b>103,900</b>	<b>6,912</b>

**19. Other operating expenses**

	2009		2008
	USD	KHR'000	USD
Repair and maintenance expense	1,147	4,782	4,616
Rental expense	20,370	84,923	18,878
Utilities expense	5,585	23,284	5,230
Audit and tax fee	24,267	101,170	20,187
Legal fee	4,510	18,802	4,446
Travel expense	1,718	7,162	4,189
Business meal and entertainment expense	3,670	15,300	2,954
Communication expense	7,009	29,221	4,565
Stationery and office supplies	5,453	22,734	6,844
Printing and forms expense	4,188	17,460	3,404
Security	-	-	432
Board of directors expense	3,600	15,008	2,950
Penalties and fines expense	-	-	371
Motor vehicle operating expense	13,551	56,494	13,239
Fee and commission expense	7,571	31,563	5,926
Other expense	6,845	28,536	9,097
Offsetting foreign exchange position	3,670	15,300	6,511
Loss on exchange rate difference	-	-	4,595
	<b><u>113,154</u></b>	<b><u>471,739</u></b>	<b><u>118,434</u></b>

**20. Financial risk management**

The following are policies and guidelines adopted by the Company to manage risks related to its business activities.

**20.1 Operational risk**

The operational risk losses which would result from inadequate or failed internal processes, people and systems is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

The operational risk management entails the establishment of clear organisational structures, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streaming procedures and documentation. These are reviewed continually to address the operational risks of its micro-finance business.

**20. Financial risk management (continued)**

**20.2 Market risk**

**20.2.1 Foreign currency exchange risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Company has no material exposures to currency risk as it transacts essentially in US Dollar. Significant presence of US Dollar is a normal practice of Company operating in Cambodia as this is a currency widely in use in Cambodia.

**20.2.2 Interest rate risk**

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set.

Management is satisfied that the Company's position is such that exposure to movements in interest rates is minimised.

The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

(Continued)

**CAMBODIAN BUSINESS INTEGRATED IN RURAL DEVELOPMENT**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**20. Financial risk management (continued)**

**20.2.2 Interest rate risk (continued)**

As at 31 December 2009

ASSETS	Up to 1 month USD	1-3 months USD	3-6 months USD	6-12 months USD	1 to 5 years USD	Over 5 years USD	Non-interest bearing USD	Total USD	interest rates %
Cash in hand	-	-	-	-	-	-	141,019	141,019	-
Balances with banks inside Cambodia	7,702	-	-	-	-	-	-	7,702	0.75% - 2%
Statutory deposits with central bank	-	-	-	-	-	6,666	950	7,616	0.4%-0.68%
Loans and advances to customers:									
- Performing	-	-	60,142	801,113	361,974	-	-	1,223,229	24% - 48%
- Non-performing	-	-	-	-	-	-	32,351	32,351	-
- Specific provisions	-	-	-	-	-	-	(32,351)	(32,351)	-
- Interests receivable	-	-	-	-	-	-	-	-	-
- Interests in suspense	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	9,165	9,165	-
<b>TOTAL ASSETS</b>	<b>7,702</b>	<b>-</b>	<b>60,142</b>	<b>801,113</b>	<b>361,974</b>	<b>6,666</b>	<b>151,134</b>	<b>1,388,731</b>	
<b>LIABILITIES</b>									
Deposits of borrowers / members	18,687	-	-	-	104,678	-	-	123,365	7% - 12%
Short-term borrowing	-	-	-	101,564	-	-	-	101,564	-
Provisions for income tax	-	-	-	-	-	-	726	726	-
Other liabilities	-	-	-	-	-	-	11,296	11,296	-
Long-term borrowings	-	-	-	-	1,036,121	-	-	1,036,121	7% - 9%
<b>TOTAL LIABILITIES</b>	<b>18,687</b>	<b>-</b>	<b>-</b>	<b>101,564</b>	<b>1,140,799</b>	<b>-</b>	<b>12,022</b>	<b>1,273,072</b>	
<b>Interest sensitivity gap 2009 (USD)</b>	<b>(10,985)</b>	<b>-</b>	<b>60,142</b>	<b>699,549</b>	<b>(778,825)</b>	<b>6,666</b>	<b>139,112</b>	<b>115,659</b>	

As at the year end, the Company does not have any fixed rate liabilities at fair value through profit or loss and does not have derivatives. Therefore, a change in interest rates at end of year would not affect profit or loss. Similarly, the Company does not have significant variable rate instruments. Therefore, no cash flow sensitivity analysis was presented.

**CAMBODIAN BUSINESS INTEGRATED IN RURAL DEVELOPMENT**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**20. Financial risk management (continued)**

**20.2.2 Interest rate risk (continued)**

As at 31 December 2008

<b>ASSETS</b>	Up to 1 month USD	1-3 months USD	3-6 months USD	6-12 months USD	1 to 5 years USD	Over 5 years USD	Non-interest bearing USD	Total USD	Interest rates %
Cash in hand	-	-	-	-	-	-	55,581	55,581	-
Balances with banks inside Cambodia	6,899	-	-	-	-	-	-	6,899	0.75% - 2%
Statutory deposits with central bank	-	-	-	-	-	5,938	980	6,918	-
Loans and advances to customers:									
- Performing	-	-	38,937	247,873	730,364	-	-	1,017,174	24% - 48%
- Non-performing	-	-	-	-	-	-	1,129	1,129	-
- Specific provisions	-	-	-	-	-	-	(1,129)	(1,129)	-
- Interests receivable	-	-	-	-	-	-	-	-	-
- Interests in suspense	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	5,060	5,060	-
<b>TOTAL ASSETS</b>	<b>6,899</b>	<b>-</b>	<b>38,937</b>	<b>247,873</b>	<b>730,364</b>	<b>5,938</b>	<b>61,621</b>	<b>1,091,632</b>	
<b>LIABILITIES</b>									
Deposits of borrowers / members	5,716	-	-	-	117,972	-	-	123,688	7% - 12%
Short-term borrowing	-	-	-	60,000	-	-	-	60,000	-
Provisions for income tax	-	-	-	-	-	-	4,982	4,982	-
Other liabilities	-	-	-	-	-	-	15,859	15,859	-
Long-term borrowings	-	-	-	-	716,051	-	-	716,051	7% - 8%
<b>TOTAL LIABILITIES</b>	<b>5,716</b>	<b>-</b>	<b>-</b>	<b>60,000</b>	<b>834,023</b>	<b>-</b>	<b>20,841</b>	<b>920,580</b>	
<b>Interest sensitivity gap 2008 (USD)</b>	<b>1,183</b>	<b>-</b>	<b>38,937</b>	<b>187,873</b>	<b>(103,659)</b>	<b>5,938</b>	<b>40,780</b>	<b>171,052</b>	

**CAMBODIAN BUSINESS INTEGRATED IN RURAL DEVELOPMENT**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**20. Financial risk management (continued)**

**20.2.3 Liquidity risk**

The table below analyses assets and liabilities of the Company into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual or estimated maturity dates.

<b>As at 31 December 2009</b>	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	No fixed maturity date	Total
	USD	USD	USD	USD	USD	USD	USD	USD
<b>ASSETS</b>								
Cash in hand	141,019	-	-	-	-	-	-	141,019
Balances with banks inside Cambodia	7,702	-	-	-	-	-	-	7,702
Statutory deposits with central bank	-	-	-	-	-	-	7,616	7,616
Loans and advances to customers:								
- Performing	-	-	60,142	801,113	361,974	-	-	1,223,229
- Non-performing	-	-	-	-	-	-	32,351	32,351
- Specific provisions	-	-	-	-	-	-	(32,351)	(32,351)
- Interests receivable	-	-	-	-	-	-	-	-
- Interests in suspense	-	-	-	-	-	-	-	-
Other assets	-	-	3,545	-	-	5,620	-	9,165
<b>TOTAL ASSETS</b>	<b>148,721</b>	<b>-</b>	<b>63,687</b>	<b>801,113</b>	<b>361,974</b>	<b>5,620</b>	<b>7,616</b>	<b>1,388,731</b>
<b>LIABILITIES</b>								
Deposits of borrowers / members	18,687	-	-	-	104,678	-	-	123,365
Short-term borrowing	-	-	-	101,564	-	-	-	101,564
Provisions for income tax	-	726	-	-	-	-	-	726
Other liabilities	-	11,296	-	-	-	-	-	11,296
Long-term borrowings	-	-	-	-	1,036,121	-	-	1,036,121
<b>TOTAL LIABILITIES</b>	<b>18,687</b>	<b>12,022</b>	<b>-</b>	<b>101,564</b>	<b>1,140,799</b>	<b>-</b>	<b>-</b>	<b>1,273,072</b>
<b>Net position 2009 (USD)</b>	<b>130,034</b>	<b>(12,022)</b>	<b>63,687</b>	<b>699,549</b>	<b>(778,825)</b>	<b>5,620</b>	<b>7,616</b>	<b>115,659</b>

## 20. Financial risk management (continued)

### 20.2.3 Liquidity risk (continued)

As at 31 December 2008	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	No fixed maturity date	Total
	USD	USD	USD	USD	USD	USD	USD	USD
<b>Total assets</b>	62,480	-	-	-	1,022,234	-	6,918	1,091,632
<b>Total liabilities</b>	5,716	12,982	-	60,000	834,023	-	7,859	920,580
<b>Net position 2008 (USD)</b>	<b>56,764</b>	<b>(12,982)</b>	-	60,000	<b>188,211</b>	-	<b>(941)</b>	<b>171,052</b>

### 20.3 Credit risk

The Company assumes exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and the geographical and industry segments. Procedures of risk limit setting, monitoring, usage, and control are governed by internal regulations. Such risks are monitored on a regular basis.

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet interest and capital repayment obligations and reviewing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate or personal guarantees as well as by providing for loan losses.

### 20.4 Capital management

The Company considers the need to balance efficiency, flexibility and adequacy when determining sufficiency of capital and when developing capital management plans. The Company details these considerations through an internal capital adequacy assessment process and the key features of which include (a) consideration of both economic and regulatory of minimum capital requirements set by the National Bank of Cambodia, (b) safeguarding the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, (c) maintaining a strong capital base to support the development of business.

## 21. Commitments and contingencies

### 21.1 Tax interpretation

The Cambodian General Department of Taxation has two separate offices that are authorised to conduct tax audits of entities undertaking activities and doing business in Cambodia. The application of tax laws and regulations on many types of transactions is susceptible to varying interpretations when reviewed by these two tax offices. The Company's judgement of its business activities may not coincide with the interpretation of the same activities by those tax offices.

If a particular treatment was to be challenged by those various tax authorities, the Company may be assessed additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the tax authorities for three years with a possible extension of up to ten years.

### 21.2 Credit related commitments

The Company has no commitments and contingent liabilities as a micro finance institution is not in the position to provide guarantees or contingent assurances.

## 22. Significant related party transactions

	2009		2008
	USD	KHR'000	USD
Payroll	25,923	108,073	22,630
Other operating expenses	3,600	15,008	3,600
	<u>29,523</u>	<u>123,081</u>	<u>23,230</u>

## 23. Lease commitments

The Company has lease commitments in respect of the lease of Company's premises as follows:

	2009		2008
	USD	KHR'000	USD
Not later than one year	19,670	82,004	18,280
More than one year but less than three years	33,250	138,619	52,920
	<u>52,920</u>	<u>220,623</u>	<u>71,200</u>

## 24. Fair value of financial assets and liabilities

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Since market prices for the major part of Company's financial assets and liabilities are not available, the fair value of these items is based on the estimates of Management according to the type of assets and liabilities. According to the estimation of Management, the market value is not materially different from the book value of all categories of assets and liabilities.

**25. Correction of previous year error**

During the financial year ended 31 December 2008, allowance for impairment losses has been incorrectly recorded at 31 December 2008. The financial statements of 2008 have been restated to correct this error. The effect of the restatement on those financial statements is summarised below. There is no effect in 2009.

	2008
	USD
Increase in provision for impairment losses	4,784
<b>Decrease in net profit before income tax</b>	<b>4,784</b>
Decrease in loan and advances to customers	(4,784)
<b>Decrease in equity</b>	<b>(4,784)</b>

**FOR THE NATIONAL BANK OF CAMBODIA USE ONLY**

**SUPPLEMENTARY FINANCIAL INFORMATION  
AND OTHER DISCLOSURES REQUIRED  
BY THE NATIONAL BANK OF CAMBODIA**

**Ratio and information contained in this section have been extracted from data contained  
in the audited financial statements for the year ended 31 December 2009.**



# គ្រឹះស្ថានប័ក្ខហិរញ្ញវត្ថុ អភិវឌ្ឍន៍សេដ្ឋកិច្ចជនបទកម្ពុជា

## CBIRD Micro Finance Co., Ltd

ការិយាល័យទំនាក់ទំនង: ផ្ទះលេខ ៧១៥ ក្រុមទី ៦ ភូមិរំចេក ៤ សង្កាត់រតនៈ ក្រុងបាត់ដំបង ខេត្តបាត់ដំបង  
ទូរស័ព្ទ: (855)53 953 044 អ៊ីម៉ែល: cbirdhq@yahoo.com គេហទំព័រ: www.cbird.com.kh

### STATEMENT BY THE BOARD OF DIRECTORS

We, the undersigned, being two of the directors of Cambodian Business Integrated in Rural Development Co., Ltd. do hereby state that in our opinion, the accompanying supplementary financial information consisting in disclosures requirements set by *Prakas* of the National Bank of Cambodia are properly drawn up so as to reflect fairly the required financial information of the Company as at 31 December 2009. Information and data contained herein is the responsibility of the Company's management.

On behalf of the Board of directors

Mr Prom Mary  
Chairman

Date: 27 April 2010

Mr Sao Roeun  
Director

Date: 27 April 2010

**CAMBODIAN BUSINESS INTEGRATED IN RURAL DEVELOPMENT  
SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER DISCLOSURES REQUIRED BY THE NBC**

**NET WORTH AS AT 31 DECEMBER 2009**

In accordance with the NBC's *Prakas* No. B-7-00-47 dated 16 February 2000; the Company should maintain a permanent net worth value equivalent to at least its paid-up share capital. The Company's net worth as at 31 December 2009 was calculated as follows:

	2009		2008
	USD	KHR'000	USD
<b>CATEGORY A ITEMS</b>			
Paid-up capital	130,200	542,804	130,200
Reserves other than re-evaluation reserves	-	-	-
Share premiums	7,095	29,579	7,095
Provision for general banking risks	-	-	-
Profit brought forward	-	-	-
Current year earnings / (losses)	-	-	-
Retained earnings	94,228	392,837	75,317
Other items approved by NBC	-	-	-
<b>SUB-TOTAL A</b>	<b>231,523</b>	<b>965,220</b>	<b>212,612</b>
<b>CATEGORY B ITEMS</b>			
Related party loans	-	-	-
Holding of own shares	-	-	-
Accumulated losses	-	-	-
Intangible assets	-	-	-
Loss determined on dates other than year-end	-	-	-
<b>SUB-TOTAL B</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. BASE NET WORTH (A-B)</b>			
<b>CATEGORY D ITEMS</b>			
Revaluation reserve	-	-	-
Subordinated debts	-	-	-
Other items approved by the NBC	-	-	-
<b>SUB-TOTAL D</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CATEGORY E ITEMS</b>			
Equity participation in banking or financial institutions	-	-	-
Other items	-	-	-
<b>SUB-TOTAL E</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>F. TOTAL NET WORTH (C+D-E)</b>	<b>231,523</b>	<b>965,220</b>	<b>212,612</b>

**LIQUIDITY RATIO AS AT 31 DECEMBER 2009**

In accordance with the NBC's *Prakas* No. B 7-00-38 dated 9 February 2000 amended by *Prakas* No. B 7-02-48 dated 25 February 2002; micro-finance institutions are required to calculate a liquidity ratio which should be at least 100%. Details of calculations are shown below.

	2009		2008
	USD	KHR'000	USD
<b>A. NUMERATOR</b>			
<i>A.1. Debit items:</i>			
Cash	141,019	587,908	55,581
Deposits with the NBC excluding statutory deposits	-	-	-
Deposits with banks	7,702	32,110	6,899
Portion of lending to bank and financial institutions with maturity up to one month	-	-	-
<b>Total debit items</b>	<b>148,721</b>	<b>620,018</b>	<b>62,480</b>
<i>A.2. Credit items:</i>			
Sight accounts with NBC, banks and financial institutions	-	-	-
Borrowings from NBC and banks less than one month to run	-	-	-
<b>Total credit items</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Lender position:</b>	<b>148,721</b>	<b>620,018</b>	<b>62,480</b>
<i>A.3. Other numerator</i>			
Portion of lending to customers up to one month to run	-	-	-
Treasury bill with maturity up to one month	-	-	-
	-	-	-
<b>TOTAL A. Lender / (Borrower) position</b>	<b>148,721</b>	<b>620,018</b>	<b>62,480</b>
<b>B. DENOMINATOR</b>			
Voluntary saving deposits at 25%	4,672	19,477	1,429
<b>TOTAL B</b>	<b>4,672</b>	<b>19,477</b>	<b>1,429</b>
<b>Liquidity ratio (A/B)</b>	<b>3183%</b>		<b>4372%</b>

**CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2009**

In accordance with the NBC's *Prakas* No. B 7-00-06 dated 11 January 2000 amended by *Prakas* No. B 7-07-133 dated 27 August 2007; all micro-finance institutions shall observe a solvency ratio which is the ratio of their net worth to their aggregate credit risk exposure. The result found shall not be less than 15 per cent.

	Weightings	2009		2008
		USD	KHR'000	USD
<b>NUMERATOR</b>				
<b>A. Net worth as at 31 December</b>		<b><u>231,523</u></b>	<b><u>965,220</u></b>	<b><u>216,612</u></b>
<b>DENOMINATOR</b>				
Cash in hand	0%	-	-	-
Deposits with the NBC	0%	-	-	-
Claims on banks rated AAA to AA-	20%	-	-	-
Claim on sovereign rated BBB+toBBB-	50%	-	-	-
Claim on banks rated A+ to A-	50%	-	-	-
Other assets	100%	1,355,960	5,652,998	1,075,477
Off-balance sheet items				
Full risk	100%	-	-	-
Medium risk	50%	-	-	-
Moderate risk	20%	-	-	-
<b>B. Total risk-weighted assets</b>		<b><u>1,355,960</u></b>	<b><u>5,652,998</u></b>	<b><u>1,075,477</u></b>
<b>CAPITAL ADEQUACY RATIO (A/B)</b>		<b><u>17.07%</u></b>		<b><u>20.14%</u></b>

**LOAN CLASSIFICATION AND PROVISION FOR BAD AND DOUBTFUL DEBTS**

In accordance with the NBC's *Prakas* No. B 7-02-186 dated 13 September 2002; micro-finance institutions shall classify their loan portfolio into four classes defined as standard, substandard, doubtful and loss, and record specific provisions regardless of the assets (except cash) lodged as collateral. The loan classification and provision for bad and doubtful debts as at 31 December 2009 were as follows:

	Principal Loans USD	% of Provision %	NBC's Standard USD	Company's Provision USD	Difference USD
<b>At 31 December 2009</b>					
Standard	1,223,229	0%	-	-	-
Substandard	-	10%	-	-	-
Doubtful	-	30%	-	-	-
Loss	32,351	100%	32,351	32,351	-
	<b>1,255,580</b>		<b>32,351</b>	<b>32,351</b>	<b>-</b>
Equivalents in KHR'000	KHR'000	%	KHR'000	KHR'000	KHR'000
Standard	5,099,642	0%	-	-	-
Substandard	-	10%	-	-	-
Doubtful	-	30%	-	-	-
Loss	134,871	100%	134,871	134,871	-
	<b>5,234,513</b>		<b>134,871</b>	<b>134,871</b>	<b>-</b>
<b>At 31 December 2008</b>					
	USD	%	USD	USD	USD
Standard	1,017,174	0%	-	-	-
Substandard	-	10%	-	-	-
Doubtful	-	30%	-	-	-
Loss	1,129	100%	1,129	1,129	-
	<b>1,018,303</b>		<b>1,129</b>	<b>1,129</b>	<b>-</b>

**OTHER INFORMATION AND PRUDENTIAL REGULATIONS REQUIRED BY  
THE LAW ON BANKING AND FINANCIAL INSTITUTIONS**

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▪ **Minimum capital** (*Prakas* B7-00-06 dated 11 January 2000)

The Company's paid-up capital at the balance sheet date is USD 130,200 (equivalent to approximately KHR 543 million).

▪ **Large exposures** (*Prakas* B7-00-06 dated 11 January 2000)

Under the provisions of *Prakas* No. B7-00-06 dated 11 January 2000, all micro-finance institutions are required to maintain at all times a maximum ratio of 10% between their overall exposure resulting from their operations with each individual beneficiary and their net worth.

The Company has no large exposures at the balance sheet date.