

**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 2008**

CAMBODIAN BUSINESS INTEGRATED IN RURAL DEVELOPMENT

(Incorporated in the Kingdom of Cambodia)

Financial statements for the year ended 31 December 2008

CONTENTS

	Pages
1. Statement by the Board of Directors	1
2. Report of Independent Auditors	2 - 3
3. Balance Sheet	4
4. Statement of Income	5
5. Statement of Changes in Equity	6
6. Statement of Cash Flows	7 - 8
7. Notes to the Financial Statements	9 - 24

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)

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 2008 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 2008 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: 18 May 2009

Mr Sao Roeun
Managing Director

Date: 18 May 2009

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

We have audited the accompanying balance sheet of Cambodian Business Integrated in Rural Development (the “Company”) as at 31 December 2008, 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. The financial statements of the Company as at 31 December 2007 were audited by other auditors whose report dated 28 April 2008 expressed an unqualified opinion on those statements.

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 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 cannot be generated by the loan tracking system and therefore, the Company cannot provide provisions for impairment loss in accordance with NBC guidelines. The amount of provision for loan losses shown in the accompanying financial statements is the amount carried forward from last year which was based on limited information 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 2008 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 2008 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 Tax Department for tax purposes.
- A material inconsistency between data shown in the financial statements as at 31 December 2008 and those shown in the Company's reporting to NBC. The concerned items are: provisions for loan losses, loan provision expense, loan loss recovery, and interest expense on deposits from customers.

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.

Saksom Meas
Managing Partner

Date: 18 May 2009

Morison Kak & Associés
Certified Public Accountants
Registered Auditors

CAMBODIAN BUSINESS INTEGRATED IN RURAL DEVELOPMENT

BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	2008		2007
		USD	KHR'000	USD
ASSETS				
Cash in hand	4	55,581	226,826	28,450
Balances with banks inside Cambodia	5	6,899	28,153	22,030
Statutory deposits with central bank	6	6,918	28,231	6,938
Loans and advances to customers	7	1,017,174	4,151,090	863,480
Property and equipment	8	46,344	189,129	57,572
Other assets		5,060	20,651	6,300
TOTAL ASSETS		1,137,976	4,644,080	984,770
LIABILITIES AND SHAREHOLDERS' FUNDS				
CURRENT LIABILITIES				
Deposits from non-bank customers	9	123,688	504,771	140,656
Short term borrowings	10	60,000	244,860	16,000
Other liabilities	11	15,859	64,721	16,563
Provision for income tax	12	4,982	20,329	5,015
TOTAL CURRENT LIABILITIES		204,529	834,681	178,234
LONG-TERM BORROWINGS	13	716,051	2,922,204	629,333
TOTAL LIABILITIES		920,580	3,756,885	807,567
SHAREHOLDERS' FUNDS				
Share capital	14	130,200	531,346	117,300
Share premiums	15	7,095	28,955	-
Retained earnings		80,101	326,894	59,903
TOTAL SHAREHOLDERS' FUNDS		217,396	887,195	177,203
TOTAL LIABILITIES & SHAREHOLDERS' FUNDS		1,137,976	4,644,080	984,770

Signed and authorised for release on behalf of the Board

Mr Prom Mary

Chairman

Date: 18 May 2009

Mr Sao Roeun

Managing Director

Date: 18 May 2009

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

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008		2007
		USD	KHR'000	USD
Interest income	16	393,175	1,604,548	336,791
Interest expense	17	(86,506)	(353,033)	(91,554)
Net interest income		306,669	1,251,515	245,237
Non-interest income	18	6,912	28,206	22,579
Payroll and other staff costs		(136,896)	(558,679)	(120,911)
Depreciation of property and equipment		(14,253)	(58,167)	(17,113)
Other operating expenses	19	(118,434)	(483,328)	(71,952)
Operating profit before provision for impairment		43,998	179,547	57,840
Provision for impairment losses		-	-	(8,651)
Profit before income tax		43,998	179,547	49,189
Income tax expense	12	(8,800)	(35,911)	(9,165)
Net profit after income tax		35,198	143,636	40,024

Signed and authorised for release on behalf of the Board

Mr Prom Mary
Chairman

Date: 18 May 2009

Mr Sao Roeun
Managing Director

Date: 18 May 2009

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 2008

	Share capital USD	Share premiums USD	Subordinated debt USD	Retained earnings USD	Total USD
Balance at 1 January 2007	117,300	-	18,000	56,954	192,254
Subordinated debt payments	-	-	(18,000)	-	(18,000)
Dividends paid to shareholders	-	-	-	(37,075)	(37,075)
Net profit for the year	-	-	-	40,024	40,024
Balance as at 31 December 2007	117,300	-	-	59,903	177,203
Balance as 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 income for the year	-	-	-	35,198	35,198
Balance as at 31 December 2008	130,200	7,095	-	80,101	217,396
<i>Balance as at 31 December 2007 (KHR'000 equivalents)</i>	<i>531,346</i>	<i>28,955</i>	<i>-</i>	<i>326,894</i>	<i>887,195</i>

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

CAMBODIAN BUSINESS INTEGRATED IN RURAL DEVELOPMENT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008

	2008		2007
	USD	KHR'000	USD
			(As restated)
Cash flows from operating activities			
Profit before income tax	43,998	179,547	49,189
<i>Adjustments for:</i>			
Depreciation of property and equipment	14,253	58,167	17,113
Property and equipment written off	5,052	20,617	-
Operating profit before working capital changes	63,303	258,331	66,302
Increase / (decrease) in cash attributable to changes in working assets and liabilities:			
Loans and advances	(153,694)	(627,225)	(24,521)
Statutory deposits with NBC	20	82	(987)
Other assets	1,240	5,060	11,043
Deposits from non-bank customers	(16,968)	(69,246)	28,184
Short term borrowings	44,000	179,564	(21,000)
Other liabilities	(704)	(2,873)	(20,023)
Cash (absorbed by)/generated from operations	(62,803)	(256,307)	38,998
Income tax paid	(8,833)	(36,048)	(4,150)
Net cash (used in)from operating activities	(71,636)	(292,355)	34,848
Cash flows from investing activities			
Proceeds from sale of property and equipment	-	-	-
Purchases of property and equipment	(8,077)	(32,962)	(9,558)
Net cash used in investing activities	(8,077)	(32,962)	(9,558)
Cash flows from financing activities			
Repayments of long-term borrowings	(363,282)	(1,482,554)	-
Proceeds from long-term borrowings	450,000	1,836,450	28,333
Dividends paid	(15,000)	(61,215)	(37,075)
Proceeds from issue of shares	19,995	81,600	-
Subordinated debts	-	-	(18,000)
Net cash from/(used in) financing activities	91,713	374,281	(26,742)

(Continued)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008
(CONTINUED)

	2008		2007
	USD	KHR'000	USD
Net changes in cash and cash equivalents	12,000	48,964	(1,452)
Cash and cash equivalents at beginning of year	50,480	206,015	51,932
Cash and cash equivalents at end of year	62,480	254,979	50,480
<i>Represented by:</i>			
<i>Cash in hand</i>	55,581	226,826	28,450
<i>Balances with banks and financial institutions</i>	6,899	28,153	22,030
	62,480	254,979	50,480

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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. 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.

During the year under review, the Company obtained on 10 July 2008 a Micro Finance licence with permanent validity from NBC and is in the process of amending its Memorandum and Articles of Association with the Ministry of Commerce.

The head office is located in Battambang at No.715, Romchek 4 village, Rattanak commune, Battambang district, Battambang province and as at 31 December 2008, the Company employed 54 employees (31 December 2007: 59 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 the 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 the 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 = 4,081 KHR (31 December 2007: KHR 4,003). Such conversions 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

3.1 Transactions in 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.

3.2 Cash on hand and balances with banks

Cash on hand and balances with banks comprise of cash and bank balances which are subject to an insignificant risk of change in value.

3.3 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 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.

3.4 Loans and advances to customers

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

3. Significant accounting policies (continued)

3.5 Provisions for loan impairment

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

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

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

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

3.6 Interest income

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

3.7 Interest and fee expenses

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

3.8 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

3. Significant accounting policies (continued)

3.8 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.

3.9 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.

3.10 Income tax

Income tax is calculated on the basis of taxable profit, which is calculated by adjusting the financial result 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.

Provision is made, where material, for deferred taxation in respect of timing difference arising from the recognition of items of income and expenditure in the financial statements on bases different from that used for taxation purposes.

3.11 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

	2008		2007
	USD	KHR'000	USD
Head office - KHR	6,503	26,538	2,442
Head office - THB	7	30	-
Head office - USD	18,390	75,049	3,512
Battambang - KHR	1,955	7,979	3,277
Battambang - USD	6,007	24,516	3,728
Siem Reap - KHR	2,926	11,941	1,135
Siem Reap - USD	698	2,850	20
Prey Veng - KHR	2,854	11,646	1,103
Prey Veng - USD	1,392	5,680	169
Pailin - USD	2,697	11,007	2,285
Pailin - THB	6,532	26,655	3,992
Banteay Meanchey - USD	1,890	7,713	2,593
Banteay Meanchey - THB	3,730	15,222	4,194
	55,581	226,826	28,450

5. Balances with banks inside Cambodia

	2008		2007
	USD	KHR'000	USD
Savings accounts at Canadia Bank Plc (*):			
Head office - USD	212	865	159
Battambang - KHR	106	432	5,094
Battambang - USD	150	611	100
Siem Reap - KHR	129	527	105
Siem Reap - USD	78	317	91
Prey Veng - USD	101	411	-
Pailin - USD	105	430	205
Pailin - THB	4,471	18,246	13,235
Banteay Meanchey - USD	54	222	100
Banteay Meanchey - THB	1,493	6,092	2,941
	6,899	28,153	22,030

(*) The 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

	2008		2007
	USD	KHR'000	USD
Capital guarantee with NBC (*)	5,938	24,232	5,938
Reserve requirement with NBC	980	3,999	1,000
	<u>6,918</u>	<u>28,231</u>	<u>6,938</u>

(*) 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

	2008		2007
	USD	KHR'000	USD
Loans to customers	1,007,508	4,111,642	857,580
Staff loans	10,795	44,054	11,731
	<u>1,018,303</u>	<u>4,155,696</u>	<u>869,311</u>
Provisions for doubtful debts – Specific	<u>(1,129)</u>	<u>(4,606)</u>	<u>(5,831)</u>
	<u>1,017,174</u>	<u>4,151,090</u>	<u>863,480</u>

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

	2008		2007
	USD	KHR'000	USD
Balance at beginning of year	5,831	23,795	6,471
Addition during the year	-	-	8,651
Unrealised exchange difference	(115)	(469)	-
Recovery during the year	-	-	(8,115)
Write off during the year	<u>(4,587)</u>	<u>(18,720)</u>	<u>(1,176)</u>
At end of year	<u>1,129</u>	<u>4,606</u>	<u>5,831</u>

(Continued)

7. Loans and advances to customers (continued)

(ii) Further classification is as follows:

	2008		2007
	USD	KHR'000	USD
Standard loans:			
- Secured	1,017,174	4,151,090	862,397
- Unsecured	-	-	-
Substandard loans:			
- Secured	-	-	-
- Unsecured	-	-	-
Doubtful loans:			
- Secured	-	-	1,547
- Unsecured	-	-	-
Loss loans:			
- Secured	1,129	4,606	5,367
- Unsecured	-	-	-
	<u>1,018,303</u>	<u>4,155,696</u>	<u>869,311</u>

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

	2008		2007
	USD	KHR'000	USD
(a) By maturity period:			
Within six months	38,937	158,903	44,909
Seven to twelve months	247,873	1,011,569	209,570
Twelve to twenty months	731,493	2,985,224	614,832
	<u>1,018,303</u>	<u>4,155,696</u>	<u>869,311</u>
(b) By security:			
Secured	1,018,303	4,155,696	869,311
Unsecured	-	-	-
	<u>1,018,303</u>	<u>4,155,696</u>	<u>869,311</u>
(c) By currency denomination:			
US Dollar	585,090	2,387,752	541,483
Khmer Riel	279,020	1,138,681	197,052
Thai Bath	154,193	629,263	130,776
	<u>1,018,303</u>	<u>4,155,696</u>	<u>869,311</u>
(d) By status of residence:			
Residents	<u>1,018,303</u>	<u>4,155,696</u>	<u>869,311</u>

(Continued)

7. Loans and advances to customers (continued)

	2008		2007
	USD	KHR'000	USD
(e) By relationship:			
Related parties	-	-	-
Non-related parties	1,018,303	4,155,696	869,311
	<u>1,018,303</u>	<u>4,155,696</u>	<u>869,311</u>
(f) By economic sectors:			
Agriculture	421,421	1,719,820	299,633
Household/Family	4,442	18,127	-
Services	510	2,080	-
Trade	525,168	2,143,213	556,400
Staff loans	10,795	44,054	11,731
Others	55,967	228,402	1,547
	<u>1,018,303</u>	<u>4,155,696</u>	<u>869,311</u>
(g) By large exposures			
Non-large exposures	<u>1,018,303</u>	<u>4,155,696</u>	<u>869,311</u>
(h) By annual interest rates:			
Up to 10%	-	-	-
Over 10% but not over 15%	-	-	-
Over 15% but not over 18%	-	-	-
Over 18%	1,018,303	4,155,696	869,311
	<u>1,018,303</u>	<u>4,155,696</u>	<u>869,311</u>
(i) By branches:			
Battambang-HO	20,000	81,621	21,021
Pailin	204,586	834,917	179,095
Banteay Meanchey	175,494	716,191	153,264
Prey Veng	177,623	724,880	146,734
Battambang	241,575	985,867	198,461
Siem Reap	199,025	812,220	170,736
	<u>1,018,303</u>	<u>4,155,696</u>	<u>869,311</u>

8. Property and equipment

	Furniture & fixtures	Office & computer equipment	Motor vehicles	Building	Total
Cost	USD	USD	USD	USD	USD
At 1 January 2008	7,344	23,118	63,035	25,000	118,497
Additions	-	4,019	4,058	-	8,077
Disposals	-	-	(5,052)	-	(5,052)
At 31 December 2008	<u>7,344</u>	<u>27,137</u>	<u>62,041</u>	<u>25,000</u>	<u>121,522</u>
Accumulated depreciation					
At 1 January 2008	6,057	16,017	37,001	1,850	60,925
Charges for the year	123	12,102	876	1,152	14,253
Adjustments	982	(982)	-	-	-
Disposals	-	-	-	-	-
At 31 December 2008	<u>7,162</u>	<u>27,137</u>	<u>37,877</u>	<u>3,002</u>	<u>75,178</u>
Net book value					
At 31 December 2008	<u>182</u>	<u>-</u>	<u>24,164</u>	<u>21,998</u>	<u>46,344</u>
At 31 December 2007	<u>1,287</u>	<u>7,101</u>	<u>26,034</u>	<u>23,150</u>	<u>57,572</u>
Depreciation charge for 2007	<u>650</u>	<u>7,263</u>	<u>7,974</u>	<u>1,226</u>	<u>17,113</u>

(Continued)

8. Property and equipment (continued)

<i>Equivalents in KHR'000</i>	Furniture & fixtures KHR'000	Office & computer equipment KHR'000	Motor vehicles KHR'000	Building KHR'000	Total KHR'000
Cost					
At 1 January 2008	29,971	94,345	257,246	102,025	483,587
Additions	-	16,401	16,561	-	32,962
Disposals	-	-	(20,617)	-	(20,617)
At 31 December 2008	<u>29,971</u>	<u>110,746</u>	<u>253,190</u>	<u>102,025</u>	<u>495,932</u>
Accumulated depreciation					
At 1 January 2008	24,719	65,365	151,001	7,551	248,636
Charge for the year	502	49,389	3,575	4,701	58,167
Adjustments	4,008	(4,008)	-	-	-
Disposals	-	-	-	-	-
At 31 December 2008	<u>29,229</u>	<u>110,746</u>	<u>154,576</u>	<u>12,252</u>	<u>306,803</u>
Net book value					
At 31 December 2008	<u>742</u>	<u>-</u>	<u>98,614</u>	<u>89,773</u>	<u>189,129</u>
At 31 December 2007	<u>5,252</u>	<u>28,980</u>	<u>106,244</u>	<u>94,474</u>	<u>234,950</u>
Depreciation charge for 2007	<u>2,653</u>	<u>29,640</u>	<u>32,542</u>	<u>5,003</u>	<u>69,838</u>

9. Deposits from non-bank customers

	2008		2007
	USD	KHR'000	USD
Voluntary savings	5,716	23,327	34,711
Compulsory savings	<u>117,972</u>	<u>481,444</u>	<u>105,945</u>
	<u>123,688</u>	<u>504,771</u>	<u>140,656</u>

a) Further analysis is as follows:

	2008		2007
(i) By currency denomination:	USD	KHR'000	USD
Khmer Riel	65,498	267,296	55,330
US Dollar	33,336	136,045	53,508
Thai Bath	<u>24,854</u>	<u>101,430</u>	<u>31,818</u>
	<u>123,688</u>	<u>504,771</u>	<u>140,656</u>

9. Deposits from non-bank customers (continued)

	2008		2007
	USD	KHR'000	USD
(ii) By maturity period:			
Within six months	-	-	-
Seven to twelve months	-	-	-
More than 12 months	123,688	504,771	140,656
	<u>123,688</u>	<u>504,771</u>	<u>140,656</u>
(iii) By type of customers:			
Individuals	123,688	504,771	140,656
Groups	-	-	-
	<u>123,688</u>	<u>504,771</u>	<u>140,656</u>
(iv) By status of residence:			
Residents	123,688	504,771	140,656
Non residents	-	-	-
	<u>123,688</u>	<u>504,771</u>	<u>140,656</u>
(v) By relationship:			
Related parties	-	-	-
Non related parties	123,688	504,771	140,656
	<u>123,688</u>	<u>504,771</u>	<u>140,656</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

This represents the outstanding balances of one short-term loan contracted from Acleda Bank and two short-term loans contracted from individuals, which will mature within one year. Interest charged on loan from Acleda Bank is 14.4% per annum and is ranging from 15.60% to 23.40% per annum for loans from individuals.

11. Other liabilities

	2008		2007
	USD	KHR'000	USD
Accrued professional fees	8,000	32,648	7,990
Interests payable on depositors	7,859	32,073	8,573
	<u>15,859</u>	<u>64,721</u>	<u>16,563</u>

12. Provision for income tax

	2008	
	USD	KHR'000
Balance at beginning of year	5,015	20,466
Charge during the year	8,800	35,911
Taxation paid during the year	<u>(8,833)</u>	<u>(36,048)</u>
Balance at end of year	<u>4,982</u>	<u>20,329</u>

Comparative figures are not available.

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 Tax Department as deduction for tax purposes. No provisions have been made in the financial statements for this additional tax liability.

13. Long-term borrowings

	2008		2007
	USD	KHR'000	USD
Rural Development Bank (*)	528,051	2,154,976	410,000
Rural Development Bank-IFAD (**)	<u>188,000</u>	<u>767,228</u>	<u>219,333</u>
	<u>716,051</u>	<u>2,922,204</u>	<u>629,333</u>

Movements on short-term borrowings are as follows:

	2008		2007
	USD	KHR'000	USD
(*) Borrowings from RDB			
At beginning of year	410,000	1,673,210	366,000
Movements during the year:			
Proceeds from borrowing	450,000	1,836,450	140,000
Repayments	<u>(331,949)</u>	<u>(1,354,684)</u>	<u>(96,000)</u>
At end of year	<u>528,051</u>	<u>2,154,976</u>	<u>410,000</u>

(**) Borrowings from RDB-IFAD

At beginning of year	219,333	895,098	235,000
Movements during the year:			
Proceeds from borrowing	-	-	-
Repayments	<u>(31,333)</u>	<u>(127,870)</u>	<u>(15,667)</u>
At end of year	<u>188,000</u>	<u>767,228</u>	<u>219,333</u>

(Continued)

13. Long-term borrowing (continued)

Interests charged on these loans are as follows:

	2008	2007
	Per annum	Per annum
Loans from RDB	9%	9%

14. Share capital

	2008		2007
	USD	KHR'000	USD
Ordinary shares of 400,000 Khmer Riel each:			
Balance at beginning of year	117,300	478,701	117,300
Additional share issued during year	12,900	52,645	-
Balance at end of year	130,200	531,346	117,300

The details of the shareholding are as follows:

	2008		2007
	USD	KHR'000	USD
Mr. Prum Mary	70,700	288,526	70,700
Mr. Prum Mary Kethya	15,000	61,215	15,000
Ms. Kang Chhiv Khiem	11,500	46,932	11,500
Miss. Path Sothalay	10,100	41,218	10,100
Mr. Prum Mary Prathna	8,000	32,648	8,000
Mr. Sao Roeun	2,000	8,162	2,000
Staff association	12,900	52,645	-
	<u>130,200</u>	<u>531,346</u>	<u>117,300</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:

	2008		2007
	USD	KHR'000	USD
Loans and advances	389,762	1,590,619	336,702
Deposits and placements with banks	199	813	89
Other interest income	3,214	13,116	-
	<u>393,175</u>	<u>1,604,548</u>	<u>336,791</u>

17. Interest expense

	2008		2007
	USD	KHR'000	USD
Interest expense on deposits	15,276	62,342	11,534
Interest expense on borrowed funds	67,464	275,322	73,342
Other interest expenses	3,766	15,369	6,678
	86,506	353,033	91,554

18. Non-interest income

	2008		2007
	USD	KHR'000	USD
Finance charge income	3,971	16,204	22,579
Others	2,941	12,002	-
	6,912	28,206	22,579

19. Other operating expenses

	2008		2007
	USD	KHR'000	USD
Repair and maintenance expense	4,616	18,838	-
Rental expense	18,878	77,041	25,299
Utilities expense	5,230	21,344	-
Audit and tax fee	20,187	82,383	-
Legal fee	4,446	18,144	1,567
Travel expense	4,189	17,095	22,324
Business meal and entertainment expense	2,954	12,055	-
Communication expense	4,565	18,630	-
Stationery and office supplies	6,844	27,930	22,762
Printing and forms expense	3,404	13,892	-
Security	432	1,763	-
Board of directors expense	2,950	12,039	-
Penalties and fines expense	371	1,514	-
Motor vehicle operating expense	13,239	54,028	-
Fee and commission expense	5,926	24,184	-
Other expense	9,097	37,125	-
Offsetting foreign exchange position	6,511	26,571	-
Loss on exchange rate difference	4,595	18,752	-
	118,434	483,328	71,952

20. Tax interpretation

The Cambodian Tax Department 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 tax offices, the Company may be assessed additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the Tax Department for three years with a possible extension of up to ten years.

21. Comparative figures

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

CAMBODIAN BUSINESS INTEGRATED IN RURAL DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

22. Liquidity risk

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
ASSETS								
Cash in hand	55,581	-	-	-	-	-	-	55,581
Balances with banks inside Cambodia	6,899	-	-	-	-	-	-	6,899
Statutory deposit with central bank	-	-	-	-	-	-	6,918	6,918
Loans and advances to customers	-	-	-	-	1,017,174	-	-	1,017,174
Property and equipment	-	-	-	-	46,344	-	-	46,344
Other assets	-	-	-	-	5,060	-	-	5,060
TOTAL ASSETS	62,480	-	-	-	1,068,578	-	6,918	1,137,976
LIABILITIES								
Deposits from non-bank customers	5,716	-	-	-	117,972	-	-	123,688
Short term borrowings	-	-	-	60,000	-	-	-	60,000
Provision for income tax	-	4,982	-	-	-	-	-	4,982
Other liabilities	-	8,000	-	-	-	-	7,859	15,859
Long-term borrowings	-	-	-	-	716,051	-	-	716,051
TOTAL LIABILITIES	5,716	12,982	-	60,000	834,023	-	7,859	920,580
Net liquidity surplus / (gap) 2008 (USD)	56,764	(12,982)	-	(60,000)	234,555	-	(941)	217,396
<i>Net liquidity surplus / (gap) 2008 (KHR'000)</i>	<i>231,655</i>	<i>(52,978)</i>	<i>-</i>	<i>(244,860)</i>	<i>957,219</i>	<i>-</i>	<i>(3,842)</i>	<i>887,195</i>
As at 31 December 2007								
Total assets	50,480	-	-	-	927,352	-	6,938	984,770
Total liabilities	34,711	21,578	-	16,000	735,278	-	-	807,567
Net liquidity surplus / (gap) 2007 (USD)	15,769	(21,578)	-	(16,000)	192,074	-	6,938	177,203

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 2008.**

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 2008. 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: 18 May 2009

Mr Sao Roeun

Managing Director

Date: 18 May 2009

NET WORTH AS AT 31 DECEMBER 2008

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 2008 was calculated as follows:

	2008		2007
	USD	KHR'000	USD
CATEGORY A ITEMS			
Paid-up capital	130,200	531,346	117,300
Reserves other than re-evaluation reserves	-	-	-
Share premiums	7,095	28,955	-
Provision for general banking risks	-	-	-
Profit brought forward	-	-	-
Current year earnings / (losses)	-	-	-
Retained earnings	80,101	326,894	59,903
Other items approved by NBC	-	-	-
SUB-TOTAL A	217,396	887,195	117,203
CATEGORY B ITEMS			
Related party loans	-	-	-
Holding of own shares	-	-	-
Accumulated losses	-	-	-
Intangible assets	-	-	-
Loss determined on dates other than year-end	-	-	-
SUB-TOTAL B	-	-	-
C. BASE NET WORTH (A-B)			
CATEGORY D ITEMS			
Revaluation reserve	-	-	-
Subordinated debts	-	-	-
Other items approved by the NBC	-	-	-
SUB-TOTAL D	-	-	-
CATEGORY E ITEMS			
Equity participation in banking or financial institutions	-	-	-
Other items	-	-	-
SUB-TOTAL E	-	-	-
F. TOTAL NET WORTH (C+D-E)	217,396	887,195	117,203

LIQUIDITY RATIO AS AT 31 DECEMBER 2008

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.

	2008		2007
	USD	KHR'000	USD
A. NUMERATOR			
<i>Debit items:</i>			
Cash	55,581	226,826	28,450
Deposits with the NBC excluding statutory deposits	-	-	-
Deposits with banks	6,899	28,153	22,030
Portion of lending to bank and financial institutions with maturity up to one month	-	-	-
Portion of lending to customers up to one month to run	-	-	-
Treasury bill with maturity up to one month	-	-	-
Total debit items	62,480	254,979	50,480
<i>Credit items:</i>			
Sight accounts with NBC, banks and financial institutions	-	-	-
Borrowings from NBC and banks less than one month to run	-	-	-
Total credit items	-	-	-
TOTAL A. Lender / (Borrower) position	62,480	254,979	50,480
B. DENOMINATOR			
Voluntary saving deposits at 25%	1,429	5,832	8,678
TOTAL B	1,429	5,832	8,678
Liquidity ratio (A/B)	4372%		582%

CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2008

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	2008		2007
		USD	KHR'000	USD
NUMERATOR				
A. Net worth as at 31 December		<u>217,396</u>	<u>887,195</u>	<u>177,203</u>
DENOMINATOR				
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%	1,075,477	4,389,022	894,964
Off-balance sheet items				
Full risk	100%	-	-	-
Medium risk	50%	-	-	-
Moderate risk	20%	-	-	-
B. Total risk-weighted assets		<u>1,075,477</u>	<u>4,389,022</u>	<u>894,964</u>
CAPITAL ADEQUACY RATIO (A/B)		<u>20.21%</u>		<u>19.80%</u>

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 2008 were as follows:

	Principal Loans USD	% of Provision %	NBC's Standard USD	Company's Provision USD	Difference USD
At 31 December 2008					
Standard	1,017,174	0%	-	-	-
Substandard	-	10%	-	-	-
Doubtful	-	30%	-	-	-
Loss	1,129	100%	1,129	1,129	-
	1,018,303		1,129	1,129	-
Equivalents in KHR'000	KHR'000	%	KHR'000	KHR'000	KHR'000
Standard	4,151,090	0%	-	-	-
Substandard	-	10%	-	-	-
Doubtful	-	30%	-	-	-
Loss	4,606	100%	4,606	4,606	-
	4,155,696		4,606	4,606	-
At 31 December 2007					
	USD	%	USD	USD	USD
Standard	862,397	0%	-	-	-
Substandard	-	10%	-	-	-
Doubtful	1,547	30%	464	464	-
Loss	5,367	100%	5,367	5,367	-
	869,311		5,831	5,831	-

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

▪ **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 531 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.