



ក្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ ស៊ីលានីតិ
MICRO FINANCE INSTITUTION SEILANITHIH



**ANNUAL REPORT
2006**

**ANNUAL
REPORT
2006**

ធ្វើអោយជីវិតជោគជ័យ !



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I am satisfied with individual loan for agriculture of Seilanithih !



MICRO FINANCE INSTITUTION

SEILANITHIH

A photograph of a rice field with tall, golden-brown stalks. The rice is in the foreground, and the background shows more rice and some trees under a clear blue sky. The text is overlaid on a semi-transparent white band across the middle of the image.

MICRO FINANCE INSTITUTION
SEILANITHIH

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MICRO FINANCE INSTITUTION
SEILANITHIH

MICRO



Vision :

To be contributed in improving the standard of living of the people with financial sustainability of Seilanithih Ltd through providing financial services with appropriate interest rates.

FINANCE INSTITUTION

SEILANITHIH

Mission :

To Strengthen and Expanding the best financial services to people to enlarge their existing business or to start their new business legally through providing credit and saving services.

1993

CARE Cambodia was funded by the Australian Government to pilot a unique and innovative urban poverty alleviation program in Phnom Penh, called "SEILA Project" (Social Economic Improvement for Local Agency). The project was intended to support one of the poorest peri-urban areas for income generation and job creation services known as "Credit Extension to Vulnerable groups in Phnom Penh Project". At the same time, CARE Cambodia has received an initial infusion fund from UNDP/CARERE, to set up for two Village Banks project:

- CARE Village Bank (VB) in Pursat Province.
- CARE Village Bank (VB) in Banteay Meanchey Province.

1995

CARE Cambodia planned to transform the said three projects into a Cambodian localization for microfinance development organization.

1996

SEILANITHIH was established from the merging of the three CARE Cambodia Projects. Phnom Penh, Pursat and Banteay Meanchey became the first three (3) branches of SEILANITHIH that continued the operations after the SEILA Project. This led to the birth of SEILANITHIH NGO. There was gradual hand over of responsibilities and accountabilities from CARE Cambodia to SEILANITHIH, with CARE acting as an advisor.

1997

Agence Française de Développement (AFD) became the main donor of SEILANITHIH NGO.

1998

SEILANITHIH NGO started to pilot Individual loan product with loan size up to US\$ 500 to 100 clients in Phnom Penh branch.

2000

SEILANITHIH NGO borrowed loan fund from Rural Development Bank (RDB).

2001

Registered with the National Bank of Cambodia (NBC) as a Rural Credit Operator.

RDB selected Seilanithih NGO to provide International Fund for Agricultural Development (IFAD) funding to the target clients of Agricultural Improvement Project (AIP) in Banteay Meanchey Province.

Set-up a new branch in Malai District (Branch No. 4) of Banteay Meanchey province thru borrowed loan fund from RDB.

2002

The youngest branch was created in Battambang province, as Branch No. 5.

Again, RDB selected Seilanithih NGO to provide IFAD funding to the target clients of AIP in Pursat Province.

2003

SEILANITHIH NGO transformed into a Private Limited Company thru the awarding of license to operate as a microfinance institution from the NBC. Known as SEILANITHIH Limited Micro Finance Institution, has registered capital of over 925 million KHR from two shareholders (Seilanithih NGO and the staff association).

2006

New organizational chart is designed in order to re-enforce and accelerate operations of Seilanithih.



Mr. Sun Boreth (Chairman)

Seilanithih went through several circumstances and challenges in transformation from NGO to Microfinance Operator and from Microfinance Operator to a License- Microfinance Institution.

Concurrently with the announcement of the Royal Government of Cambodia as the Year of Microfinance, 2006 is also the year of growth for Seilanithih Limited. Seilanithih's growth is parallel to its vision of improving the standard living of the people with financial sustainability, and its mission to strengthen and extend best financial services to the people in able for them to expand their existing businesses or start a new business.

In the year 2006, Seilanithih Limited carried out various strategies for development such as strengthening the capabilities of the management team, improving the internal controls and reducing risk, updating of operational and administrative policies, and expanding its operations within the existing operational areas. Seilanithih considers and treats the staff as the most important asset of the company and the company has institutionalized staff capacity development plan. We have also strengthened our internal control in the Head Office and branch levels to ensure that every transaction and activity committed by our staff are accountable and transparent. Furthermore, we have built open communication and good solidarity among staff to create a positive working atmosphere for the whole company.

Due to the consistent efforts, cooperation and commitment among and from the Board of Directors, the management and staff, Seilanithih Limited revived and earned positive profit in the end of year 2006.

To establish more innovations and accurate tracking of the institution's growth, Seilanithih has set-up a Marketing Unit and separated MIS Department from Finance Department. Marketing Unit was established to support the continuous enhancement of policies and procedures, expansion, and promotion of the institution. On the other hand, the MIS Department was separated from the Finance Department in the mid-2006 to generate data validation and cross-checking with the reports produced by the Finance Department and Operations Department.

Looking forward to 2007, Seilanithih plans to expand to two (2) new branches and to make some innovations and diversifications in its loan and saving products to satisfy the clients' needs. Seilanithih will carry on in strengthening its institutional and staff capacities and will be looking for new shareholders.

I would like to express my deepest appreciation to all staff, clients, investors, lenders and donors for providing their financial and technical assistances, and participation to with Seilanithih in order for us to perform and work toward our company mission and vision.

A handwritten signature in black ink, appearing to read 'Sun Boreth', written in a cursive style.

Sun Boreth
Chairman

Message From General Manager

Mr. Kuch Setha (General Manager)



Seilanithih Limited is determined to bounce back and again be among the leading Microfinance Institutions in Cambodia after the extremely challenges in the years 2004 and 2005.

In 2006, Seilanithih continued consolidating in the existing five-branch operations. Seilanithih has built a strong commitment, good cooperation and identified corporate culture to improve and strengthen motivation among staffs. Seilanithih becomes a successful year of profitability and reaching operational and financial self-sufficiency. We are strengthening the capacity of our staffs in lending methodologies, in order to serve loan and saving products effectively and efficiently. Over the years, Seilanithih has also taken several appropriate actions in strengthening and improving its internal control; and then put it in a system which has implemented from the top management down to the staffs level.

As a result, Seilanithih is serving 3,508 active clients with the total amount of US\$ 1,744,838 loan portfolio. With sound performance and operations quality, the Portfolio At Risk over 30 days (PAR > 30 days) decreased down to 0.96% and the repayment rate was in a good standing at 99.50%. These are the most important factors for Seilanithih reaching financial sustainability and a significant positive profitability by the end of 2006. The operational self-sufficiency of the institution reached at 119% in 2006 comparing with 118% in 2005, while the financial self-sufficiency increased up to 152% in 2006 comparing with 135% in 2005.

In the coming year of 2007, Seilanithih initiated plan for growths and expansions. The operations will be expanded for two (2) new branches in Siem Reap and Kampong Cham provinces. We are optimistic that in these two branches, we will reach the target clients and loan portfolio. Expansion should be gradual in starting of new branch activities for we will also be facing strong and stiff competitions; but we are confident that our loan and saving products will satisfy and respond to the clients' needs.

Moreover, in order to reinforce the demonstrative development of the institution, Seilanithih has applied to the National Bank of Cambodia for obtaining the Permanent License to conduct microfinance business, and hopefully to obtain it in the early year 2007. This is very important to us that will greatly reflect the stability of Seilanithih.

I would like to express my sincerest thanks to all staffs of Seilanithih for their commitment, working hard and honesty making Seilanithih be confidence and again be among the leading Microfinance Institutions in Cambodia. I wish to thank our shareholders, our Board of Directors, AFD, PASMIF, the Lenders and the National Bank of Cambodia for their supports and constantly providing strategic guidance during the years. Finally, I would like to thank our dear valued clients for their supports and using our services.



Kuch Setha
General Manager

Key Macroeconomic Indicators of the
Financial Sector

Items	YEAR	2000	2001	2002	2003	2004	2005	2006
Real GDP Growth		8.4	7.7	6.2	8.8	10	13.4	10.6
-Agriculture		(1.2)	4.5	(2.2)	12.1	1.2	16.6	5.3
-Industry		31.2	11.4	17.3	12.1	16.4	12.1	16.9
-Service		8.9	8.7	6.3	4.4	11.7	12.1	10.8
Inflation in Riels (average % annually)		0.5	(0.5)	3.1	0.5	5.8	6.6	3.4
Interest Rates								
-Riel Saving Deposits (per annum)		5.9	2.6	2.2	1.9	1.9	2	1.9
-Riel Term Deposits (per month)		0.5	0.4	0.4	0.3	0.3	0.3	0.3
-Foreign Currency Saving Deposits (PA)		2.3	1.6	1.5	1.3	0.9	0.9	1
-Foreign Currency Term deposits (PA)		3.7	2.7	2.8	2.6	2.4	2.4	3.3
-Foreign Currency Lending (PA)		17.4	15	18.6	18.2	17.3	17.3	16.2
Money Supply % Annual Change								
-Broad Money		26.9	20.4	31.1	15.3	30	16.1	38.2
-Velocity of Money		7.9	7.7	6.4	6	5.4	5.4	4.8
-Financial Deepening (M2/GDP) %		12.6	13	15.6	16.5	18.6	18.7	20.8
Private Sector Credit/Deposits % of GDP								
-Credit		6.4	6	6.3	7.3	8.6	9.4	12.3
-Deposits		9.5	10.4	12.7	13.3	15.2	14.8	18.2
Private Sector Credit/Deposits % Annual Change								
-Credit		17.7	4.2	13.1	26.2	35.9	31.8	51.6
-Deposits		40.2	21.7	30.5	14.1	32.8	16.4	42.7
Loan/deposit ratio		67.3	57.6	49.9	55.2	56.5	64	67.9
Loan/assets ratio							42.9	45.6
Commercial Banks								
Number of Loans at December 31st				86,757	105,347	123,937	145,161	164,931
Value of Loan as at December 31st annually US\$ millions				269.26	360.7	482.71	598.41	882.29
Microfinance								
Number of Borrowers			409,963	328,295	265,044	322,056	366,107	398,058
Loans Billion of Riel			140.1	201.4	129.7	164.4	196.7	274.6

Key PA = Per annum

NBC Review N°19
1st Quarter 2007

Country Overview and Microfinance Environment.

A . Country Overview

Cambodia is one of the poorest countries in East Asia with total population around 14 million in 2006. GDP is increasing per capita in 2006 about US\$456. About 80% of the total population lives in rural areas. Out of the 80% rural population, 75% are farmers depending on agriculture which is crop-oriented, with rice as the dominant crop.

However, the country's recent performance reflects the government's effort to move forward on the path of economic, social and financial reform with the ultimate goal to strengthen free markets mechanisms and ensuring sustainable economic growth and equitable contributions, thereby alleviating the poverty of the Cambodian people.

The micro-finance sector started in Cambodia in the early 1990s, which was at first developed by non-governmental organizations (NGOs) after the Paris Peace Accords in 1991. At the end of 2005, there are 16 licensed MFIs that are registered with the National Bank of Cambodia. The licensed and registered MFIs are strengthening their management and expanding their activities more openly into the remote areas, where more people hope to access financial services.

As per the latest survey of the National Institute of Statistics of Cambodia in their July 1999 edition of the General Population Census of Cambodia 1998, Cambodia has an estimated number of 1,750,930 poor families in year 1998. Out of the total number of poor families, only 494,355 (CMA report 2005) were reached to the MFIs' services in the country which left an estimated gap of 1,256,575 poor families are still un-served. A study of ADB in year 2002 connoted that an estimated fund requirement of US\$2.2B is needed to serve the operations of poverty alleviation programs.

B . Microfinance Environment

Microfinance in Cambodia is fundamentally supported by a market-based policy and regulatory framework supervised by the National Bank of Cambodia (NBC). NBC is issuing license to any microfinance institution to carry out microfinance operations to those that satisfy the requirements. The MFIs could be owned by local or international investors.

There were several articles in the PRAKAS on licensing MFIs of which the major ones will be mentioned herewith. A licensed MFI is only allowed to conduct banking operations as defined in the Law on Banking and Financial Institutions. A licensed MFI should have a minimum registered capital of KHR 250 million (around US\$62,500) and a contributor of capital which will directly or indirectly holds 20% of the capital or voting rights shall be considered as an influential shareholder in accordance with the provisions of the Law on Banking and Financial Institutions. Further, a licensed MFI should maintain a capital adequacy ratio (CAR) of at least 20 percent between "eligible capital" and its "weighted risks".



SEILANITHIH Operation Areas

Thailand



Vietnam

BIEN HOA
HO CHI MINH



North

City and Provinces	-	5
Districts	-	32
Communes	-	155
Villages	-	435
Branches	-	5

-  Operation areas
-  Target market in the future

Seilanithih NGO was created in 1996 by the integration of 3 projects of CARE International - Cambodia including SEILA Project in Phnom Penh, CARE VB in Pursat and CARE VB in Banteay Meanchey. Seilanithih NGO's objective is to contribute in improving the standard of living of the people through providing financial services.

SAMAKUM BOKALOEK SEILANITHIH KROUP (SBSK) is the Seilanithih staff association. It was created in 2003 by Seilanithih staff in order to enhance internal solidarity and integrate with Seilanithih NGO with the same goal and strategy to create Seilanithih MFI in 2003.

Mr. Sun Boreth is a private individual shareholder. He has joined Seilanithih since 2002 as a Board member/Advisor and invested in Seilanithih in 2006.

Center for Agriculture and Rural Development (CARD) Inc. is an NGO located in the Philippines, invested in Seilanithih in 2006.

Micro Finance Institution "SEILANITHIH" started its operations late 2003 with US\$225,017 registered capital. In 2003, there were two shareholders, Seilanithih NGO and SBSK.

Shareholders	Amount in US\$	% of capital
Seilanithih NGO	185,309	82.35%
SBSK	39,708	17.65%
Total	225,017	100.00%

As of December 2006, Seilanithih Limited's capitalization increased up to US\$337,199 resulting from the capital increasing of Seilanithih NGO and SBSK and the addition of two new shareholders. To strategize, Seilanithih plan to invite more private investors in order to continuously expand its operations.

Current Shareholders' Informationa

Shareholders	Amount in US\$	% of capital
Seilanithih NGO	246,677	73.15%
SBSK	69,675	20.66%
Mr. Sun Boreth	10,355	3.07%
CARD Inc.	10,493	3.11%
Total	337,199	100%

- **CARE international in Cambodia:** the first donor and Technical Assistance provider of Seilanithih.
- **Agence Française de Développement (AFD):** became the main donor of Seilanithih with the previous providing grants and donations to the latter.
- **National Bank of Cambodia (NBC):** The regulatory body for MFIs, banks and other financial institutions.
- **Rural Development Bank (RDB):** A wholesale lender; provided several credit facilities to Seilanithih Limited since March 2001 with loan amounts ranging from US\$50,000 to US\$320,000.
- **Consultative Group to Assist the Poor (CGAP)/the World Bank:** a donor and consultative for building a financial system in Cambodia work effectively in micro, meso and macro levels. CGAP collaborated with several donors to design a second stage of the aid effectiveness initiative: Country-level Effectiveness and Accountability Reviews (CLEARs) that focus on strategic issues relevant to donor effectiveness. Seilanithih was rated in 2005 by Planet Rating, and in 2007 by CRISIL by co-financing with CGAP.
- **Planet Finance:** A rating agency and donor, Seilanithih is a member of its network.
- **Mekong Private Sector Development Facility (MPDF) and Cambodia Institute of Banking (CIB)/ International Finance Corporation (IFC):** provide trainings to MFIs and Banking sectors.
- **CARD Inc.:** one of the recent additions to Seilanithih shareholders, developed the 5-Year Business Plan of Seilanithih Limited.
- **ETIMOS:** an international micro-finance fund provider based in the Italy, disbursed loan fund to Seilanithih amounting to US\$50,000 in December 2006 with three years term.
- **BlueOrchard Finance SA,** an international micro-finance fund provider in Switzerland, Seilanithih applied for US\$300,000 loan fund in 2007.
- **Oikocredit,** an international fund provider based in the Netherlands, Seilanithih applied for a US\$1,000,000 loan fund in 2007.





**Mr. Sun Boreth
(Chairman)**

Cambodian, born in 1965, he graduated from the University of Massachusetts, USA in 1992 in Master of Education (MEd), with a minor degree in political science. He has joined Seilanithih as a BOD member in 2002, and currently elected as the Chairman of the Board since June 2006. He has over 10 years development experience in Cambodia working with international government and non-government organizations. He is currently the Project Manager and HRD Advisor for a bilateral project funded by the government of Australia, responsible for financial management and training. He is also a Project Advisor for the AQIP Seed Company limited and has continued to assist the company with the development of their Board. Mr. Sun has 5 years experience as the Project Development and Management Officer for AusAID Cambodia. With demonstrated understanding of development policies on agriculture, poverty alleviation, and ecologically sustainable development. From 1988-1991, he served as the Chairman of the Board for Mutual Assistance Association of Cambodian Community in Massachusetts USA. Attended various short training courses in management, micro-finance and development policy in Cambodia, Thailand and Philippines, and has strong knowledge on governance and operational side of commercial businesses in the Cambodian context.



**Mr. Kuch Setha
(Board Member)**

Born in 1961, he obtained his MBA degree in March 2005 at CHAMROEUN University of Poly -Technology (CUP), Cambodia, and pursuing for PhD. degree at CUP. He obtained Diploma on Rural Social Leadership in March 1990 at the SEASOLIN, Xavier University, Philippine and Diploma on Agronomy at Collect of Agriculture in Thailand. From 1995, he has attended numerous training courses on microfinance, staff management and business management in Cambodia and several other countries. He was the founder of Seilanithih NGO and served as the Board Chairman from 1996 until first half of 2006. During the time of his leadership, Seilanithih was transformed to a licensed microfinance institution in 2003. Also, from 1996 up to the present, he stands as the General Manager of Seilanithih. He has more than 12 years of experiences in the field of microfinance and staff management.



**Mr. Kuch Kunthen
(Board Member)**

Born in 1963, he has joined Seilanithih since 2000 and he was promoted to be Operations Department Manager in 2005. He obtained a Pedagogy and Associate Degree from the Institute of Public Administration in Thailand in 1992. Since 1996, he had studied courses on Management and Microfinance in Cambodia, Indonesia, and Philippines. Presently, he is taking Bachelor Degree in Finance and Banking. He has 9 years experiences in microfinance.



**DR. JAIME ARISTOTLE B. ALIP
(Board Member)**

Dr. Jaime Aristotle B. Alip is the Founder and Managing Director of CARD MRI. CARD MRI is a group of mutually reinforcing institutions composed of the CARD NGO, CARD Bank, CARD Micro insurance, and CARD MRI Development Institute. Dr. Alip was awarded the Medal of Honor by the Vietnam Women's Union in 1995 for his work in micro credit for poor women in Vietnam. He was also given the Secretary's Award of the Department of Agrarian Reform, Philippine Government in 1998 for his contribution in agrarian reform program. Dr. Alip was recently awarded as Special Fellow of the Graduate School of International Social Development of the Nihon Fukushi University, Japan.

Dr. Alip obtained his doctorate degree in Organizational Development from the Southeast Asia Interdisciplinary Development Institute (SAIDI), Manila, Philippines in 2002. He is currently pursuing the OPM Management Program of the Harvard Business School, Harvard University, USA. He received his masteral and bachelor degrees in agricultural economics/marketing from the University of the Philippines at Los Banos in 1978 and 1983 respectively. He also attended the Executive Program in Global Management at the Weatherhead School of Management, Case Western Reserve University, Cleveland, Ohio, U. S. A. in 1999.

Dr. Alip has served in various key positions in the Philippine Government: Undersecretary of the Department of Social Welfare and Development (2002-2003); Assistant Secretary of the Department of Agrarian Reform (1996-1998); Deputy Executive Director of the Agricultural Credit Policy Council (1988-1992). He has extensive international experience in the field of microfinance and rural development in Vietnam, Laos, Cambodia, China, Myanmar, Bhutan, and East Timor, serving in various capacities as advisor, expert and/or consultant.



Mr. Kuch Setha (General Manager)

Born in 1961, he obtained his MBA degree in March 2005 at CHAMROEUN University of Poly-Technology (CUP), Cambodia, and pursuing for PhD. degree at CUP. He obtained Diploma on Rural Social Leadership in March 1990 at the SEASOLIN, Xavier University, Philippine and Diploma on Agronomy at Collect of Agriculture in Thailand. From 1995, he has attended numerous training courses on microfinance, staff management and business management in Cambodia and several other countries. He was the founder of Seilanithih NGO and served as the Board Chairman from 1996 until first half of 2006. During the time of his leadership, Seilanithih was transformed to a licensed microfinance institution in 2003. Also, from 1996 up to the present, he stands as the General Manager of Seilanithih. He has more than 12 years of experiences in the field of microfinance and staff management.



Mr. Kuch Kunthen (Manager , Operations Department)

Born in 1963, he has joined Seilanithih since 2000 and he was promoted to be Operations Department Manager in 2005. He obtained a Pedagogy and Associate Degree from the Institute of Public Administration in Thailand in 1992. Since 1996, he had studied courses on Management and Microfinance in Cambodia, Indonesia, and Philippines. Presently, he is taking Bachelor Degree in Finance and Banking. He has 9 years experiences in microfinance.



Mr. Sen Chettana (Manager, Finance Department)

Born in 1968, He has joined Seilanithih since 1998 and he was promoted to Finance Department Manager in 2003. He earned Bachelor Degree-major in Financial and Banking at Build Bright University. He worked as an Accountant for more than 3 years for a Commercial Bank and 9 years experiences in Microfinance. He was sent to Philippines to join a training course on the Best Practice in Microfinance of CARD MRI in June 2006.



Mr. Chet Vathanak (Manager, Human Resource Department)

Born in 1978, He has joined Seilanithih since 2003 and he was promoted to be Human Resource Department Manager in 2005. He obtained his Bachelor Degree in Management in 2002 from Royal University of Phnom Penh. He graduated MBA in Management from Panasastra University of Cambodia in 2006. He attended several training courses like Training of Trainer course with World Education, Training of Trainer in Microfinance with United Nations Capital Development Fund (UNCDF), Special Unit for Micro Finance cooperated with ADBI in Tokyo. He was sent to Philippines to join a training course on the Best Practice in Microfinance of CARD MRI in June 2006. He used to work as a Training Coordinator, Program Manager for a Local NGO and as Executive Director for International Institute for Education Improvement, respectively.



Ms. Sek Many (Manager, Administration Department)

Born in 1970, she has joined Seilanithih since 2001 and she was promoted to be Administration Department Manager in 2006. She is pursuing her Bachelor degree of Business Administration at Build Bright University (BBU). She has 7 year-experiences with Commercial Bank. She was sent to Philippines to join a training course on the Best Practice in Microfinance of CARD MRI in June 2006. She joined several training courses, workshops and seminars in Phnom Penh and provinces.



Mr. Lim Reamsocheat (Manager, MIS Department)

Born in 1981, he has joined SEILANITHIH since 2005. He graduated in BBA of Management Information System from the National University of Management in Phnom Penh. He is currently pursuing MBA in Information Technology. He has three years experience in computer training with private education and private company, and two years experience in computer programming. He also attended other courses, such as Infrastructure of Networking, Database programming, IT specialist and Management Information System Security.



Mr. Sin Sok (Senior Auditor, Internal Audit Department)

Born in 1982, he has joined Seilanithih since 2004. He obtained his Bachelor degree of finance and banking in 2003, from the Royal University of Law and Economics (RULE). He is pursuing his MBA degree of Financial Management at RULE and earning Bachelor of English Languages at Build Bright University. He attended in several training courses like ACCPAC Training, Finance Management and courses related to Audit.

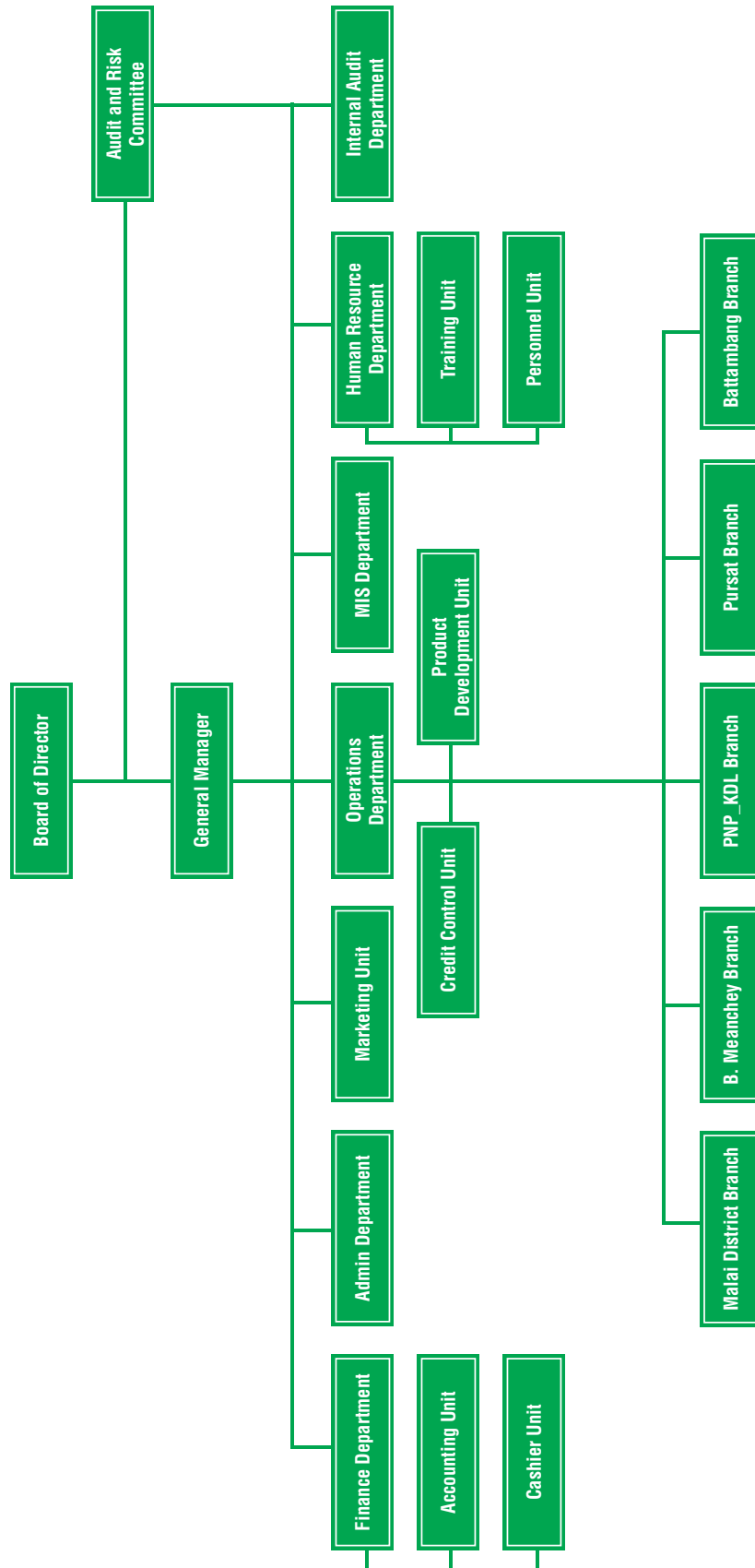


Mr. Chhuon Sokcheth (Marketing Unit Chief)

Born in 1981, he has joined Seilanithih since 2006. He obtained his Diploma of Economic Planning from Planning and Statistics Training Center in 2001. He graduated with Bachelor Degree of Economic Science - major in Enterprise Management, from the Royal University of Law and Economic in 2003. He had three years experience as Credit Officer and Chief Credit Officer from a Commercial Bank. He also had 6 months experience in Credit Union as a Branch Officer at Cambodia Mutual Savings and Credit Network.

Organizational Chart

ORGANIZATIONAL CHART



The Operations Department's mission is to ensure that the financial services being offered by Seilanithih Limited meet the clients' needs and preferences, to improve and modernize its existing products with effectiveness and high quality, and to stabilize the operating activities. As of December 31, 2006, Seilanithih works with five (5) branch offices and one (1) district office that cover operations in Phnom Penh City, Kandal, Pursat, Battambang, and Banteay Meanchey Provinces, including Malai District Branch, with 32 districts, 155 communes, and 435 villages.

Products

Seilanithih innovates and develops new products in responding to the market demands. The loan conditions, interest rates, and the loan products have been updated for specific operation areas.

Group Loan: clients can make a solidarity group with 2 to 5 members. Together, they can avail loan amounting from KHR100,000 (US\$250) to KHR2,000,000 (US\$500) or Baht1,000 to Baht20,000 with the interest rate of 4% per month. The terms of the loans range from 1 to 12 months with balloon or declining repayment.

Individual Loan: clients can borrow money individually with loan size from KHR1,000,000 to KHR10,000,000 or Baht10,000 to Baht100,000 or US\$100 to US\$4,000 with interest rate range of 2.5% to 3.75% based on the loan size. The cycles of loans range from 1 to 18 months with declining or balloon repayment depending on the type of loan.

IFAD Loan: Is limited to people who were trained on Agricultural Improvement Project (AIP) by the provincial department of agriculture forestry and fishery. IFAD Loan is purposively for agriculture. It is being provided in two provincial branch offices of Pursat and Banteay Meanchey Branches. The said people have to create a solidarity group and can get loan from KHR100,000 to KHR2,500,000 or Baht1,000 to Baht25,000. The maximum loan term for this loan is 12 months with 3% interest rate. The said clients can repay their loan either in balloon or declining method.

Compulsory Saving: Seilanithih's loans require compulsory savings from borrowers. The clients must deposit their savings during or before loan disbursement and deposit of additional amount will be done if the clients borrow in the next cycle. Compulsory savings of group loan or individual loan in KHR and Baht currency are 5% of the total amount of loan while it is 3% for individual loan in US\$. Seilanithih accepts additional or bigger amount of compulsory savings deposit. Seilanithih also provides interest rate of 6% per annum for deposit in KHR and Baht currencies and 3% per annum for deposit in US\$ to the compulsory savings balance of client.

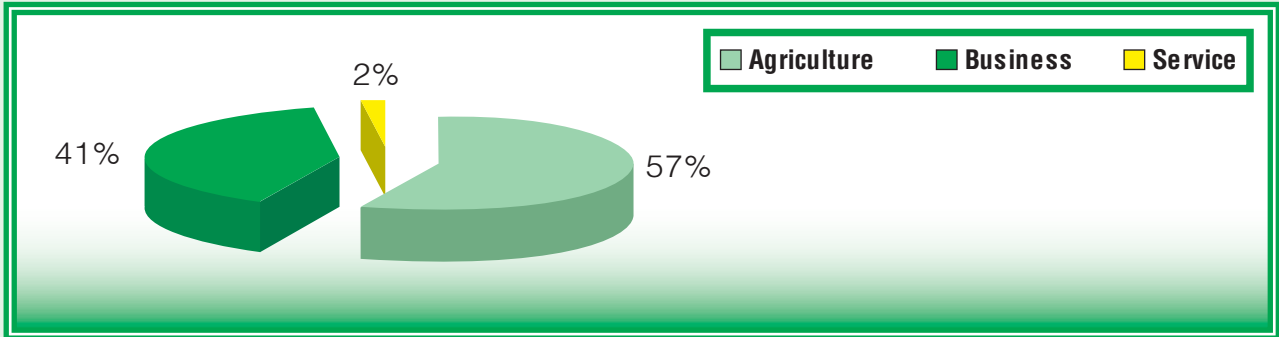
Loan Categories

Seilanithih offers loan to clients in different types of businesses.

As of December 31, 2006, Seilanithih had 3 categories client, breaking down as 57% are in agricultural sector, 41% are in business sector and 2% are in service sector. The result showed most of Seilanithih's clients is highly involved in the agriculture sector since the provincial branches are very near and accessible to the farmers.

Operations Department

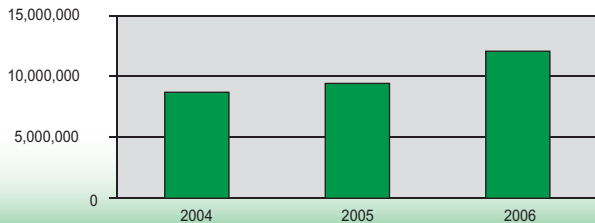
Loan categories by types of businesses.



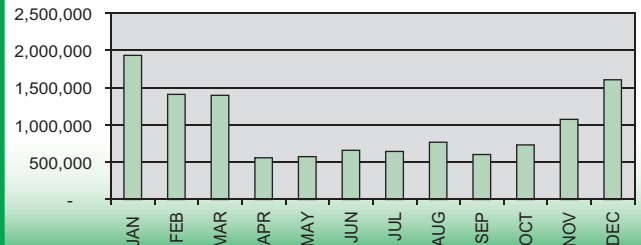
Loan Disbursement

The total loan disbursement in 2006 was KHR 12.08 Billion (US\$2.92 Million) to 4,731 clients. This showed an increased of 28% compared to the loan disbursement in 2005. The actual loan disbursement is 110% of the target. The average loan size per borrower is KHR2,500,000 (US\$617), which showed an increased by KHR523,000 (US\$129) from 2005. The increase of loan size is to satisfy the actual demands.

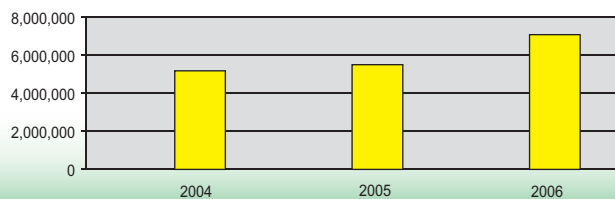
Loan Disbursement (In KHR '000)



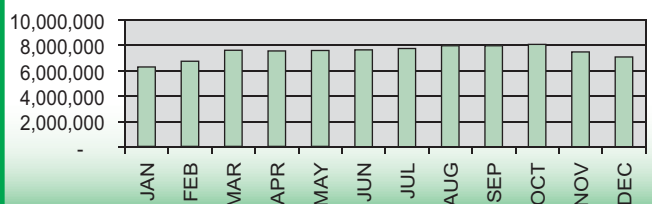
Loan Disbursement Year 2006 (In KHR '000)



Loan Outstanding (In KHR '000)



Loan Outstanding Year 2006 (In KHR '000)



	31-12-06	31-12-05	31-12-04
Number of Districts	32	33	32
Number of Communes	155	158	139
Number of Villages	435	459	393
Number of CBs	125	119	196
Number of Branches	5	5	5
Amount of Loan Disbursed			
Number of Loan Disbursed (YTD)	4,731	4,770	6,840
Amount of Loan Disbursed (YTD)	\$2,917,526	\$2,285,907	\$2,159,467
Average of Loan Disbursed	\$617	\$479	\$316
Amount of Loan Outstanding			
Amount of Loan Outstanding	\$1,744,838	\$1,333,244	\$1,058,130
Clients with Loans	3,580	3,808	11,589
Average Loan Outstanding	\$487	\$350	\$91
Number of New Loan	1,277	1,431	1,983
Amount of Savings Balance			
Number of Savings	3,942	4,115	11,976
Amount of Saving deposit	\$182,448	\$143,305	\$191,695
Number of New Savings	1,277	1,431	1,983
Repayment Rate for Capital			
	99%	98%	95%
Repayment Rate for Interest			
	99%	99%	96%
Number of Credit Officers	27	24	29
No. of Borrowers	3,580	3,808	11,589
No. of Borrowers/Credit Officer	133	159	400
Amount of L/O /Credit Officer	\$64,624	\$55,552	\$36,487
Amount of PAR > 1 Day			
Amount of PAR > 1 Day	\$11,945	\$20,117	\$56,900
% PAR > 1 Day	0.68%	1.51%	5.38%

Portfolio Quality and Repayment Rate

Seilanithih has strengthened the management and staff in terms of capacity building, self-reliance and motivation. At the end of 2006, the portfolio at risk was 1.15% and repayment rate was 98%.



MICRO FINANCE INSTITUTION SEILANITHIH



Sources of Funds

A . Debt Financing

Seilanithih finances its portfolio thru commercial borrowings from both local and international institutions. As of December 31, 2006, Seilanithih's commercial borrowing stood at KHR2,946 Million (2005: KHR2,371 Million), Comprising loans from the RDB under IFAD, the Asian Development Bank (ADB) Funds and Consorzio ETIMOS S.C.

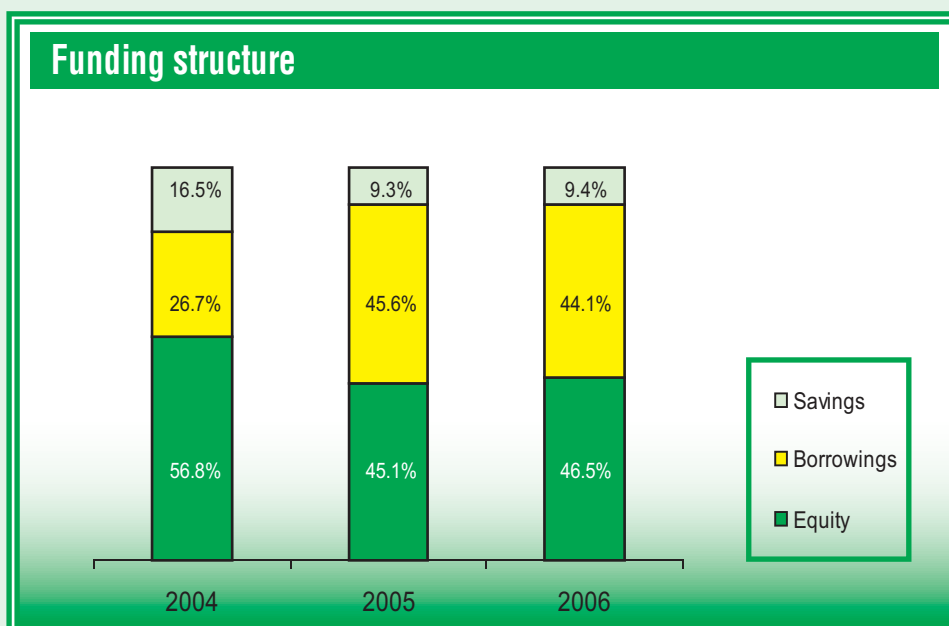
In 2006, Seilanithih received loan funds from Etimos amounting to US\$50,000 and from Rural Development Bank amounting to US\$992,000 both IFAD and ADB loan funds.

B . Equity Financing

Net Profit in 2006 reached at KHR19 Million (2005: Loss KHR265 Million). The retained earning showed positive trend from loss to gain, the main contributor of this is the access to more commercial borrowings for portfolio growth (40.64% compared to the previous year).

Seilanithih utilized funds from internal (savings and equity) and external sources (borrowings), the purpose of this was to immediately response to the growth of loan portfolio and generate more income. The sources of fund break-down as the Following:

Components of sources of funds as of 31 December 2006



C . Grants

In 2006, Seilanithih received grants from AFD for staff training, technical assistances, upgrading of the ACCPAC accounting system, and co-financing with CGAP for the Rating Mission by Planet Rating.



Financial Results

Financial Indicators	2004	2005	2006
	US\$	US\$	US\$
Total Assets	1,163,161	1,533,151	1,893,720
Variance	-16%	32%	24%
Total Liability	502,675	841,821	1,001,128
Variance	1%	67%	19%
Total Equity	660,486	691,330	892,592
Variance	-26%	5%	29%

By December 31, 2006, the total assets was increased by 24% contributed by the increase of loan portfolio, while the total liabilities was increased by 19% due to the Investment in Management Information System (MIS) and the total equity was also increased by 29%, comparing with the result as of December 31, 2005.

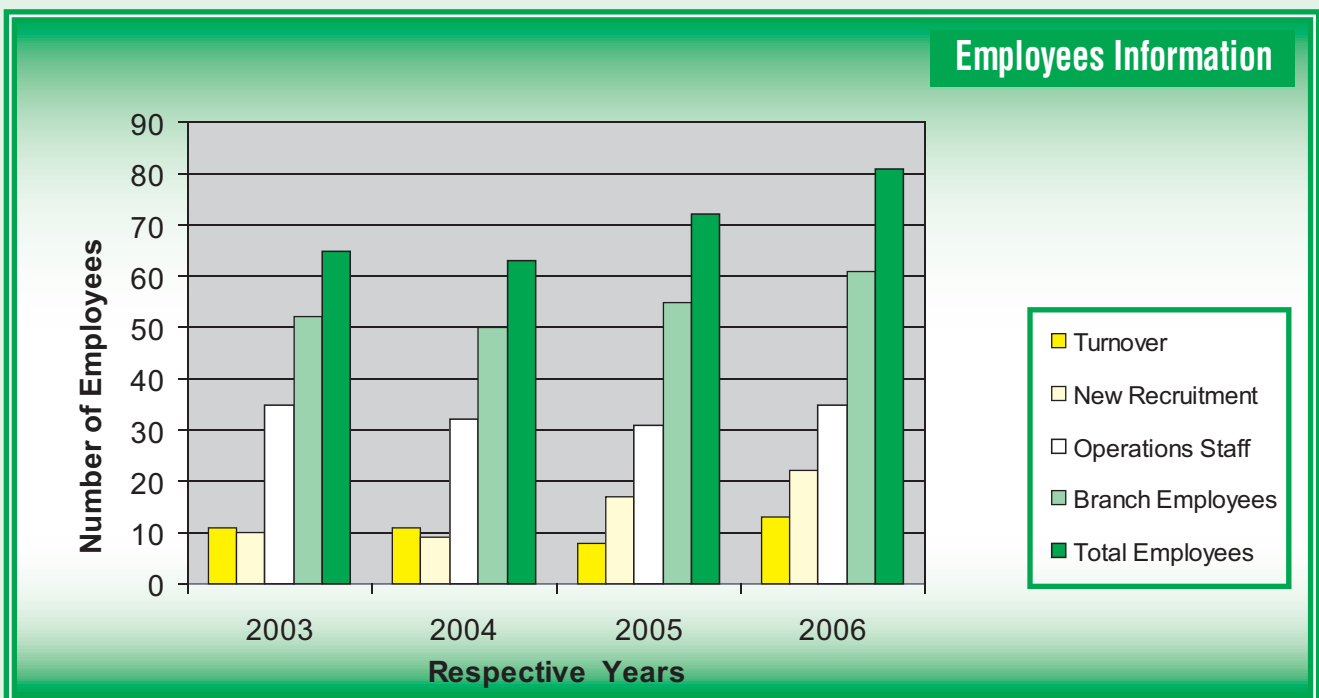
Financial Indicators	2004	2005	2006
	US\$	US\$	US\$
Interest income	500,690	506,969	686,069
Variance	-10%	1%	35%
Net Profit after Tax	(148,850)	81,084	70,146
Variance	-259%	154%	-13%

Growth of loan disbursement and with good collection Ratio, it was very important role to increase 35% of the amount of interest income in 2006.

The Human Resource Department is created to assist the institution's top Management in developing and implementing applicable personnel policies, programs and procedures and in coordinating them with the middle or line management in establishing a pleasant atmosphere in the organization so that personnel at all levels contribute their best towards the success of the organization.

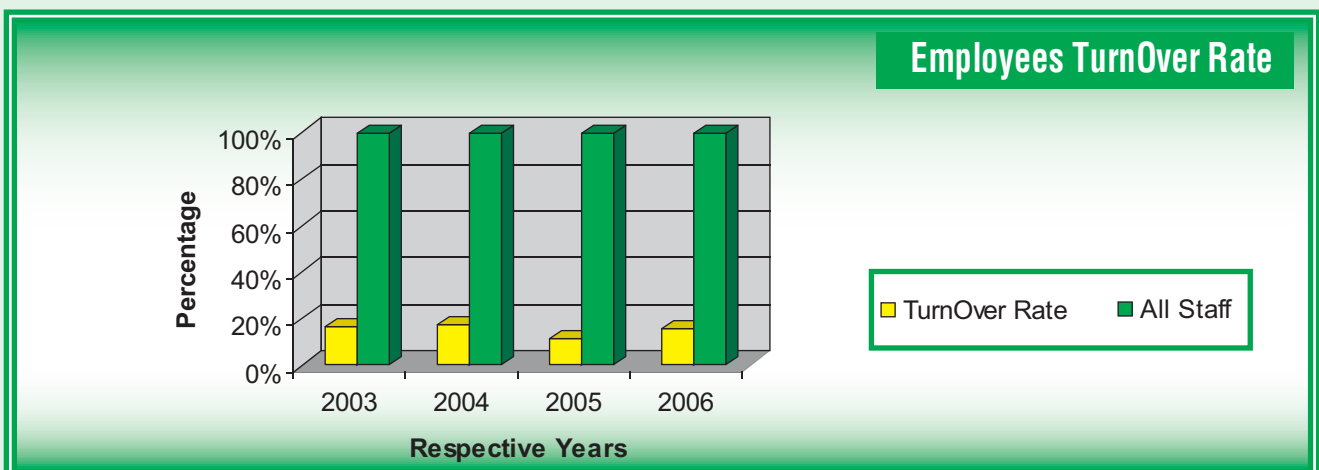
A . Staffing Information for the Last Four Years

Seilanithih went through multi-steps of revolution. Because of this revolution the staffs of Seilanithih were changed from time to time. Below is the staffing trend/information of Seilanithih for the last four years (2003 to 2006).



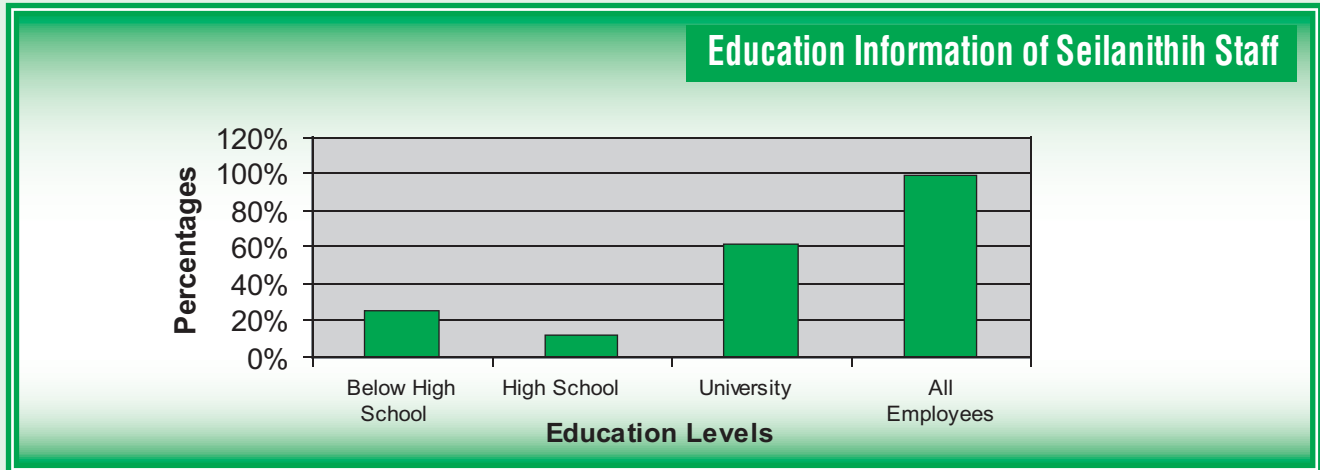
Employees' Turn Over Rate:

2003 = 17% , 2004 = 17%, 2005 = 14%, 2006 = 16%



Human Resource Department

Seilanithih is also providing opportunities to every manager to gain at least Bachelor Degree in Business Administration. By December 31, 2006, Seilanithih staff have earned and graduated their Diplomas and Degrees as follows:



Training Program

In 2006, HRD of Seilanithih conducted several training courses for Seilanithih staff in all levels. 72 Seilanithih staffs were trained either in-house or external training. The trainings focuses on several topics such as Best Practice on Microfinance, Effective Internal Control, Tax Law, Credit Appraisal, Branch Management, Trade Finance, Rural Saving Mobilization, Being An Effective Manager, MIS Training on Group Loan Sheet, Training of Accounting, Best Practice of Administrator, Training on Credit Management, How to be Good Cashier, Best Practices of Credit Officer and ACCPAC Training. Every manager is trained in related skill to their positions, in order to improve their productivity and performance quality.

In June 2006, seven senior management of Seilanithih Limited were sent to an exposure/training in the Philippines about the Best Practices of Microfinance Management in CARD Inc.



TO be more effective and ensure accuracy and transparency on operating activities, the Internal Audit Department has set its scope of works to check documents in branch offices and also interviewing individual clients to identify potential risks, staff inadvertent mistakes and unintended error, and compliance to the policies. The Internal Audit Department not only checks in branches level, but also conduct audit in the head office.

In 2006, the Internal Audit Department found out that staff and management of operation accepted and applied the recommendations provided by the Internal Audit Department to improve their works. Some reports and works performed were satisfactorily accurate and transparent. More specifically, the fraudulent chance and deviation errors have been reduced and staff and management of operations have well understood their work procedures.

In conclusion, the number of errors has decreased and most staffs observe and perform their duties and responsibilities accordingly. Currently, they manage well on their works both in completion and preparation of documentation.



Internal Audit
Department

MIS Department

THE MANREP System, a software internally designed for Seilanithih in 1999, run specifically in managing operations and increase convenience and accuracy in reporting. The MIS Department is separated from the Finance Department since the mid of 2006. MIS Department's objective is to support and collaborate with all departments, units and branches to improve the management information system for Seilanithih.



The role of the MIS Department is to consolidate and track down the progress in Seilanithih's operations. Currently, Seilanithih is improving the management information system security and. The MIS Department is also updating and upgrading some important tools in the MANREP System that needs to be developed in order for Seilanithih to produce necessary reports and compliance reports for the regulators. We have realized that the MANREP system can help in reducing paper works of the staffs which improve their productivity. The system also enhances the quality of service of the institution and improves the management reporting.

MIS Department



In able to survive in a competitive environment, Seilanithih conducts periodic research on customer needs, customer drop out and its competitor's products in order to diversify and improve its products and services for customers.

Marketing tools were designed to promote or orient the people about Seilanithih's products and services. Moreover, Seilanithih's sign board and light box were re-designed to attract more clients and build confidence to the existing clients. Recently, Seilanithih's website was developed to further build awareness about Seilanithih Limited to existing and potential shareholder, donors, partners and clients.



Meanwhile, Seilanithih's Marketing Unit has focused in building strengths or capabilities in customer service and promotion to operations staff. With cooperation with the HRD, they provided communication, marketing research and SWOT analysis training courses to the operation staffs.

Marketing Unit



Client's Profile

"Because Seilanithih lent me some money to invest in my business, my family's life has constantly improved up to present", said a 52 year-old woman, Nov Tha, living in Osngot village, Tasanh commune, Samlout district, Battambang province.

Since the Khmer Rouge ended and was integrated into the government, Ms. Nov Tha's family's possession was only a small hut and they lived in an impoverished situation. To survive, they offered their labor to other people like to carry soil for road construction or to do farming for neighbors in order to exchange for some rice.

In 2002, Seilanithih opened a representative office in Samlout district and oftenly disseminated loan information to people on how it will improved their living standard. After receiving information from Seilanithih's staff, Nov Tha and her family decided to borrow their first loan amounting to 200,000 Riels to invest in a farm.

Because of their effort and mutual trust, Seilanithih continued to lend them up to KHR2,000,000. Their farming activities had been gradually improving and they were able to buy a machine to thresh peanut in 2004. Also, they were able to support their children's education and send them to school like other children.

So far they have borrowed six cycles from Seilanithih. Her family's living standard become better and better. Presently, they were able to build a new house, have one threshing machine, one car, forty cows and ten hectares of farmland of which four hectares are growing banana. Yield from bananas provides them KHR1,000,000 per month.

In the near future, they plan to borrow money from Seilanithih again to buy a truck to transport their products to sell at markets.



SEILANITHIH LIMITED

(Incorporated in the Kingdom of Cambodia)

Financial statements for the year ended 31 December 2006

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STATEMENT BY THE
BOARD OF DIRECTORS

We, the directors of Seilanithih Limited, do hereby state that in our opinion:

- i) The results of the operations of the Company for the financial year ended 31 December 2006 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 2006 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. Sun Boreth

Chairman

Date: 26 April 2007

REPORT OF

INDEPENDENT AUDITORS

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF SEILANITHIH LIMITED

We have audited the accompanying financial statements of Seilanithih Limited (the Company), comprising of the balance sheet as at 31 December 2006 and the related statements of income, changes in equity, and cash flows for the year then ended together with the notes to the financial statements, which have been prepared in accordance with the accounting policies set out in the notes to the financial statements. These financial statements are the responsibility of the Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Cambodian Standards on Auditing and the requirements of the National Bank of Cambodia (NBC). Those principles require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2006 and of the results of its operations and its cash flows for the year then ended, in accordance with the National Bank of Cambodia's guidelines and the accounting policies set out in the notes to the financial statements.

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 of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions other than Cambodia.



Saksom Meas
Managing Partner

Morison Kak & Associés
Certified Public Accountants
Registered Auditors

Date: 26 April 2007

Auditor's Report

BALANCE SHEET AS AT
31 DECEMBER 2006

	Note	KHR'000	2006 USD	2005 KHR'000
ASSETS				
Cash in hand	4	60,544	14,927	6,852
Balances with banks inside Cambodia	5	272,483	67,180	553,555
Balances with central bank		468	115	50
Statutory deposit with central bank	6	46,286	11,412	46,286
Loans and advances to customers	7	7,060,236	1,740,690	5,479,055
Property and equipment	8	198,683	48,985	226,810
Other assets	9	42,227	10,411	14,703
TOTAL ASSETS		7,680,927	1,893,720	6,327,311
LIABILITIES AND SHAREHOLDERS' FUNDS				
CURRENT LIABILITIES				
Deposits of borrowers	10	740,008	182,446	591,419
Interests payable	11	81,591	20,117	61,742
Provisions for income tax		10,809	2,665	1,865
Other liabilities	12	281,998	69,525	448,095
TOTAL CURRENT LIABILITIES		1,114,406	274,753	1,103,121
LONG-TERM BORROWINGS	13	2,946,176	726,375	2,371,077
TOTAL LIABILITIES		4,060,582	1,001,128	3,474,198
SHAREHOLDERS' FUNDS				
Share capital	14	1,367,680	337,200	925,720
Residual reserve	15	25	6	23
Capital reserve	16	18,641	4,596	18,641
Retained losses		(265,232)	(65,392)	(599,866)
Current year earnings		284,512	70,146	334,634
Subordinated debt	17	1,880,838	463,718	1,880,838
Translation reserve	18	333,881	82,318	293,123
TOTAL SHAREHOLDERS' FUNDS		3,620,345	892,592	2,853,113
TOTAL LIABILITIES & SHAREHOLDERS' FUNDS		7,680,927	1,893,720	6,327,311

Signed and authorised for release on behalf of the Board


Mr. Kuch Seta
General Manager

Date: 26 April 2007


Mr. Sen Chettana
Finance Manager

Date: 26 April 2007

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 KHR'000	2006 USD	2005 KHR'000
Interest income	19	2,782,694	686,069	2,092,259
Interest expense	20	(359,251)	(88,573)	(199,465)
Net interest income		2,423,443	597,496	1,892,794
Other operating income	21	365,372	90,082	352,658
Payroll and other staff cost		(1,314,994)	(324,210)	(1,079,585)
Depreciation expense		(116,646)	(28,759)	(61,650)
Other operating expenses	22	(1,042,707)	(257,077)	(761,156)
Operating profit before provision for impairment		314,468	77,532	343,061
Recovery of impaired loans		6,418	1,582	12,525
Profit before income tax		320,886	79,114	355,586
Income tax expense	23	(36,374)	(8,968)	(20,952)
Net profit after income tax		284,512	70,146	334,634

Signed and authorised for release on behalf of the Board


Mr. Kuch Seta
General Manager

Date: 26 April 2007


Mr. Sen Chettana
Finance Manager

Date: 26 April 2007

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

Auditor's Report

	Share capital KHR'000	Residual reserve KHR'000	Subordinated debt KHR'000	Translation reserve KHR'000	Capital reserve KHR'000	Retained earnings KHR'000	Total KHR'000
Balance at 1 January 2005	925,720	23	1,880,838	436,403	18,641	(599,866)	2,661,759
Translation reserve	-	-	-	(143,280)	-	-	(143,280)
Net profit for the year	-	-	-	-	-	334,634	334,634
Balance as at 31 December 2005	925,720	23	1,880,838	293,123	18,641	(265,232)	2,853,113
Balance at 1 January 2006	925,720	23	1,880,838	293,123	18,641	(265,232)	2,853,113
Translation reserve	-	-	-	40,758	-	-	40,758
Capital increase during the year	441,960	-	-	-	-	-	441,960
Residual values	-	2	-	-	-	-	2
Net profit for the year	-	-	-	-	-	284,512	284,512
Balance as at 31 December 2006	1,367,680	25	1,880,838	333,881	18,641	19,280	3,620,345
Balance as at 31 December 2006 (USD equivalents)	337,200	6	463,718	82,318	4,596	4,754	892,592

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2006

	2006		2005
	KHR'000	USD	KHR'000
Cash flows from operating activities			
Profit before income tax	320,886	79,114	355,586
<i>Adjustments for:</i>			
Depreciation of property and equipment	116,646	28,759	61,650
Gains on disposal of property and equipment	(6,000)	(1,479)	(13,178)
Recovery of impaired loans	(6,418)	(1,582)	(12,525)
Operating profit before working capital changes	425,114	104,812	391,533
Increase / (decrease) in cash attributable to changes in working assets and liabilities:			
Loans and advances to customers	(1,574,763)	(388,255)	(1,238,037)
Other assets	(27,524)	(6,786)	6,649
Deposits of borrowers	148,589	36,634	(181,114)
Interests payable	19,849	4,894	(19,172)
Provision for income tax	8,945	2,206	195
Other liabilities	(166,097)	(40,951)	72,621
Cash used in operating activities	(1,165,887)	(287,446)	(967,325)
Income tax expense	(36,374)	(8,968)	(20,952)
Net cash used in operating activities	(1,202,261)	(296,414)	(988,277)
Cash flows from investing activities			
Proceeds from disposals of property and equipment	6,000	1,479	13,178
Purchases of property and equipment	(88,519)	(21,824)	(219,012)
Net cash used in investing activities	(82,519)	(20,345)	(205,834)
Cash flows from financing activities			
Proceeds from long-term borrowings	5,843,915	1,440,807	4,559,617
Repayments of long-term borrowings	(5,268,816)	(1,299,018)	(2,983,732)
Proceeds from issue of shares	441,960	108,964	-
Net cash generated from financing activities	1,017,059	250,753	1,575,885

(Continued)

Auditor's Report

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2006

(Continued)

	2006		2005
	KHR'000	USD	KHR'000
Translation reserve	40,759	10,049	(143,280)
Net changes in cash and cash equivalents	(226,962)	(55,957)	238,494
Cash and cash equivalents at beginning of year	560,457	138,179	321,963
Cash and cash equivalents at end of year	333,495	82,222	560,457
<i>Represented by:</i>			
Cash in hand	60,544	14,927	6,852
Balances with banks inside Cambodia	272,483	67,180	553,555
Balances with central bank	468	115	50
	333,495	82,222	560,457



SEILANITHIH's Addresses

HEAD OFFICE

#46, Street 141, Sangkat Vealvong,
Khan 7Makara, Phnom Penh, Cambodia.

Tel : (855-23) 990 225

Tel/Fax : (855-23) 367 089

Email : info@seilanithih.com.kh

Web site : www.seilanithih.com.kh



BRANCH OFFICES

Phnom Penh - Kandal Branch

#17, Street 271, Obay Khaom Village,
Sangkat Tek Thla, Khan Russey Keo,
Phnom Penh.

Tel/Fax: 023 995 797

E-mail: pnp_kdl@seilanithih.com.kh

Banteay Meanchey Branch

#138-139c, Bei Village, Preah Ponlea
Commune, Sereysorphorn District,
Banteay Meanchey Province.

Tel/Fax: 054 710 124

E-mail: bmc@seilanithih.com.kh

Pursat Branch

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Village, Phtasprey Commune,
Sampovmeas District, Pursat Province.

Tel/Fax: 052 951 451

E-mail: pur@seilanithih.com.kh

Malai District Branch

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Commune, Malai District, Banteay
Meanchey Province.

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#441, St. Loktaneuy, Dorkpour Village,
Slakram Commune, Siem Reap District,
Siem Reap Province.

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Samlot District Office

#081, Otuntoeum village, Tasanh
commune, Samlot district,
Battambang province.

Tel: 012 673 035

MICRO FINANCE INSTITUTION

SEILANITHIH



Stone Carving in Pursat Province



General Manager and Branch Managers of SEILANITHIH

Welcome to SEILANITHIH Website
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