



គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុសីលានីធី

Seilanithih Microfinance Institution



Annual Report 2010

Makes Life a Success!



ANNUAL REPORT 2010

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Vision:

“To contribute in improving the standard of living of the people with financial sustainability of Seilanithih Limited through providing financial services with appropriate interest rates.”

Mission:

“To strengthen and extend the best financial services to people in order to expand their existing business or to start their new business legally through providing credit and savings service.”



MESSAGE FROM THE CHAIRMAN

Cambodian economy begins to recover in 2010 after the economic downturn and slowdown resulted from the global financial crisis of 2008-09. The positive signs of the economy have boosted confidence in the microfinance sector which saw an increased demand for loans and gradual deposits for the financial and banking sector in Cambodia.

The year proved another impressive financial success for Seilanithih. The Company's loan portfolio grew by 22%, with solid increase of clients by 38%, and profitability rose by 94% compare with the year 2009.

In line with the management restructuring, the Board of Directors recruited a high caliber Deputy CEO from Bangladesh with more than 18 years of experience in the microfinance sector.

The year also saw a replacement of Mr. Chet Vathanak as Board member representing Seilanithih Staff Association (SSA) with Mr. Kuch Kuthen; who comes with strong operational background.

Moving to 2011, we will strive to expand our operations and increase our loan portfolio to provide greater quality financial services to serve greater numbers of rural Cambodian. Together, we will endeavor to increase our equity, enhance financial productivity and strengthen capacity of our staff to better serve our partners and clients.

On behalf of the Board and myself, I wish to place my sincere appreciation to the company Chief Executive Officer, Management Team, all staff for their commitment and unflagging efforts to make year 2010 another success for the Company.

I would also like to acknowledge the valuable contribution of our customers, regulators, shareholders, lenders, donors and the general public. Your support and trust have made this achievement possible.



Boreth SUN
Board Chairman



MESSAGE FROM THE CEO

Seilanithih has marked with various significant achievements in year 2010. It's expanded 3 new branches in Battambang and Banteay Meanchey provinces, number of clients achieved to 14,395 and portfolio achieved to US\$7.7 Million. Clients grew up by 38% while loan portfolio grew up by 22% compared to year 2009. Compulsory savings balance increased from US\$406,212 in 2009 to US\$465,933 in 2010 (an increase of 15%) and the number of savers increased from 11,017 to 15,447 (an increase of 40%) in the same period. Portfolio in agriculture sector increased from 45% to 61%. The portfolio in agriculture sector increased due to the increase number of branches in rural area. Portfolio quality was maintained consistently control over the year. Seilanithih ended-up the year with a reasonable 2.59% PAR>30 days, which was slightly higher (2.85%) in Dec 2009.



The operational self-sufficiency reached at 113% and financial self-sufficiency reached at 110% in 2010 which is increased from the year 2009. Total assets increased from US\$7,7 Million to US\$8,3 Million (an increase of 8%) while total liabilities increased from US\$6,1 Million to US\$6,46 Million (an increase of 4%). Moreover the Company was able to earned US\$205,576 net profit in the year 2010 which is 94%, higher than 2009 (US\$106,034) due to the continuous cost controlling efforts in the operation and also resulted from the improve portfolio quality, which is decreased the provisioning expenses.

The total number of staff increased from 169 employees in 2009 to 188 employees in 2010 (an increase of 11%) but the staff turnover rate was increased from 4.73% to 15.70% in the same period due to the restructure processing and operations reform.

In 2010 the MIS department gets the Technical Assistance from CARD MRI, Philippines to help for the improvement of IT security policy and procedure and Human Resource Department also get the Technical Assistance from SBFIC for the improvement of human resource policy which were supported by Saving Banks Foundation for International Cooperation (SBFIC).

I wish to take this opportunity on behalf of Seilanithih management team to thank all Seilanithih staff for their commitment, hard work and honesty, which making Seilanithih be more confident and again be among the leading Microfinance Institutions in Cambodia. I also wish to thank our shareholders, our Board of Directors, donors, lenders and the National Bank of Cambodia for their supports and constantly providing strategic guidance in the past year. Last but not least, I would like to thank our dear valued clients for their supports and using our services.

Kuch Seta
Chief Executive Officer

Makes Life a Success!



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Seilanithih Microfinance Institution

- 1993** CARE International - Cambodia, funded by the Australian Government, piloted the “Social Economic Improvement for Local Agency (SEILA) Project” in Phnom Penh. This project was intended to extend credit to vulnerable groups in the area. Also, they started village banking projects in Pursat and Banteay Meanchey provinces thru fund from UNDP/CARERE.
- 1996** Seilanithih NGO was established from the merging of the three (3) CARE Cambodia Projects with CARE acting as advisor. Those three (3) provinces became the first three branches 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.
- 2001** Registered with the National Bank of Cambodia (NBC) as a Rural Credit Operator. A new branch was established in Malai District of Banteay Meanchey.
- 2002** Branch opening in Battambang province.
- 2003** Transformed into a private limited company and obtained licensed from the NBC as Microfinance Institution.
- 2007** Awarded with permanent license by the NBC. A new branch is established in Siem Reap province.
- 2008** Branch opening in Kampong Cham province.
- 2009** Catalyst Microfinance Investors International (CMI) Holding becomes a shareholder.
- 2010** Three new branches were established.



CAMBODIAN ECONOMIC OVERVIEW

Cambodia is a South East Asian country, characterized by a developing economy. With an area of approximately 181,035 square kilometers and a population of over 14.8 million, Cambodia's economy is primarily agriculture based. The country borders Thailand, Vietnam and Laos. The densely populated plains are dedicated to rice and are the heartland of Cambodia. Tourism is the second most contributing industry, besides agriculture, and adds a substantial amount to the Cambodian GDP.

Economic performance

A bounceback in tourism and clothing exports, coupled with increased production of paddy rice, drove a 6.3% recovery in GDP in 2010 from a sharp slowdown in 2009 caused by the global economic crisis.

The primary sector, producing about a third of GDP, grew by an estimated 4.2% in 2010. Paddy rice output rose by about 5% to 7.9 million tons, mainly a result of favorable weather and better access by farmers to fertilizers and higher quality seeds. Livestock production increased by about 5.5%, whereas forestry and logging and fisheries output registered only slight growth.

Recovery in global travel saw tourist arrivals rise by about 16% to 2.5 million, and tourism receipts by 14.5% to \$1.78 billion. The sharpest gains were in arrivals from Asia, including Viet Nam (up 48% to 466,700), the Republic of Korea (up 47% to 289,700), and the People's Republic of China (PRC—up 39% to 177,700). This rebound in tourism contributed to estimated growth of 4.3% for services.

Industry was the main contributor to GDP growth in 2010, expanding by an estimated 11.6% (it had contracted in 2009). External demand for Cambodian garments, principally from the United States (US) and the European Union (EU), rebounded. Data from the US Department of Commerce showed that US garment imports from Cambodia rose by 19% in US dollar terms in 2010. Construction activity remained sluggish, reflecting a fall in foreign investment in property during the global crisis and slow pickup in residential building.

Increased deposits of foreign currency at banks drove a 20.0% year on-year increase in M2 money supply in December 2010. Bank lending to the private sector picked up from 6.5% year on year at end-2009 to 27% 12 months later, reflecting the economic recovery. The riel appreciated by 2.4% against the US dollar over 2010.

Economic prospects

Assuming global economic growth is in line with the *Asian Development Outlook 2011* assumptions, as well as favorable weather for agricultural production, GDP is projected to expand by 6.5% in 2011 and 6.8% in 2012. Upward pressure on prices will be generated by the strengthening domestic demand, generally expansionary fiscal policy, and higher global prices for food and fuel. Inflation is forecast to average 5.5% in 2011 and 5.5% in 2012.

Source: Asian Development Outlook 2011

Cambodia: Economic Indicators, 2006-2010

Economic Indicator	2006	2007	2008	2009	2010
Per capita GNI, Atlas method (\$)	500	560	630	650	-----
GDP growth (% change per year)	10.8	10.2	6.7	0.1	6.3
Inflation (end of year)	4.2	14.0	12.5	5.3	4.0
CPI (% change per year)	6.1	7.7	25.0	(0.7)	4.0
Unemployment rate(%)
Fiscal balance (% of GDP)	(2.7)	(2.9)	(2.8)	(6.4)	(6.0)
Export growth (% change per year)	26.9	10.7	15.1	(0.9)	20.8
Import growth (% change per year)	21.8	13.8	19.8	(10.4)	15.9
Current account balance (% of GDP)	(7.9)	(8.0)	(13.4)	(11.6)	(11.0)
External debt (% of GNI)	31.5	32.0	31.8	33.6

() = negative, ... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Selected economic indicators (%)

	2011	2012
GDP growth	6.5	6.8
Inflation	5.5	5.5
Current account balance (share of GDP)	-10.7	-10.2

Source: ADB estimates.

CAMBODIAN MICROFINANCE ENVIRONMENT

Cambodian microfinance sector emerged after the signing of the 1992 Paris Peace Accords in the form of non-profit microcredit provisions to local communities. With the Royal Government of Cambodia (RGC)'s priorities set on post-war reconstruction efforts, it left the nonprofits organizations (NGOs) to continue operating under a laissez-faire system which quickly fostered tremendous outreach to the rural areas in the late 1990s. Recognizing the positive economic impact of NGO-run microcredit programs on rural development, the RGC issued the Law on Banking and Financial Institutions and in 2000, the National Bank of Cambodia (NBC) promulgated a PRAKAS, or government decree, on microfinance regulation. The decree stipulates the transformation of NGOs into specialized microfinance banks provided that all prerequisites are met.

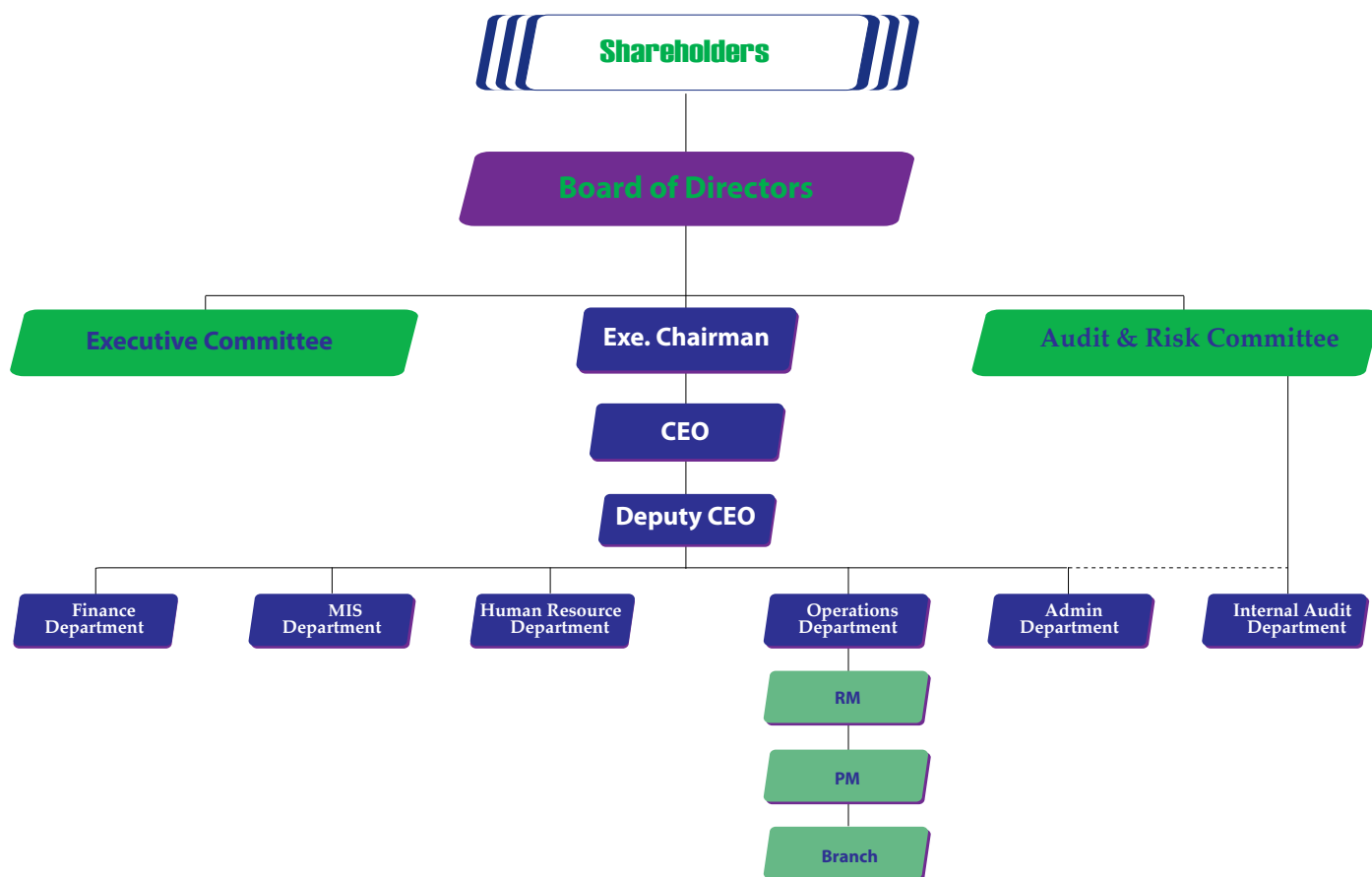
In response to this sector-wide demand, to ensure the prosperity and sustainability of microfinance sector in Cambodia, Cambodia Microfinance Association (CMA) was established in January 2004 by 7 MFIs: Sathapana (CEB), Amret, HKL, Maxima, Seilanithih, CREDO, and Prasac (PCA). CMA plays a vital role in creating local and international networks, as well as seeking equity and loan funds, new technologies and conflict resolution between microfinance operators.

On September 6, 2010, Cambodian government in cooperation with the development partners conducted a national microfinance development forum on revising and deepening the roles of MFIs in poverty reduction under the presidency of Her E. Neav Chanthana, deputy governor of the national bank of Cambodia (NBC) in Phnom Penh, Cambodia.

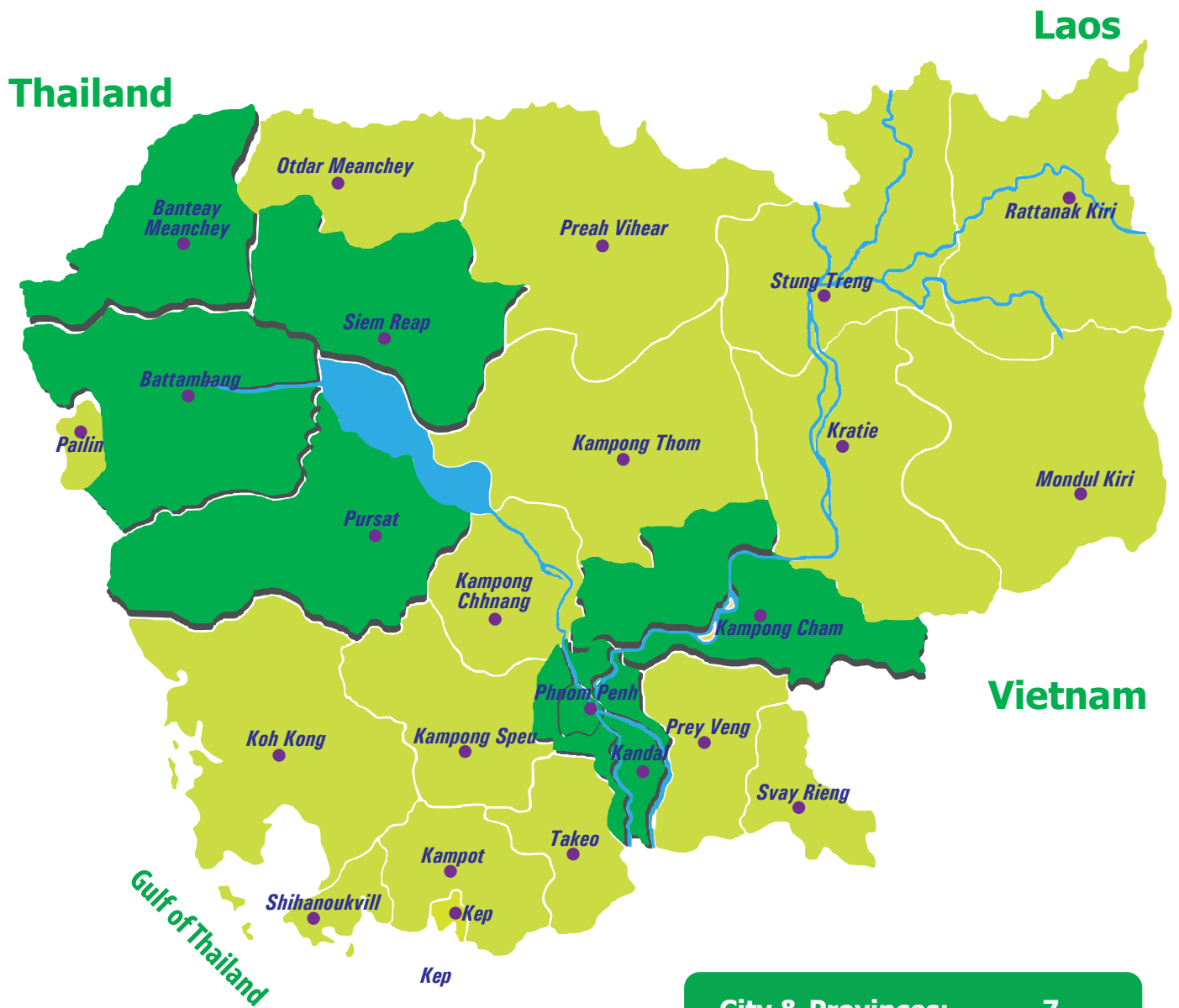
In 2010 many new MFIs entered the market and enforce the market to be more competitive and make remarkably growth in the microfinance sector. Currently twenty five licensed microfinance institutions (MFIs) and two NGOs (Rural Credit Operator) which CMA's member are operate in Cambodia with a gross loan outstanding portfolio of around 473.66 million USD and a borrower base of 988,428 accounts on March 31, 2011, mostly located in Phnom Penh and large provincial towns.



ORGANIZATIONAL CHART



OPERATION AREAS



City & Provinces:	7
Districts/Khan:	79
Communes/Sangkat:	369
Branches:	25



Operation Areas



Target market in the future

SHAREHOLDERS

First Seilanithih was started with two shareholders in 2003. Then it has added another two shareholders in 2007 & CMI has become the 5th shareholder in 2009. Over the time through addition of the new shareholders Seilanithih's paid-up capital have increased from US\$ 227,450 to US\$1,000,000 by the year 2010 as shown in the table below.



No.	Shareholders	2003-2006		2007-2008		2009-2010	
		Paid up Capital	%	Paid up Capital	%	Paid up Capital	%
1	Seilanithih NGO	\$187,312.00	82.35%	\$245,165.00	73.16%	\$412,850.00	41.29%
2	BSC	\$40,138.00	17.65%	\$69,248.00	20.66%	\$132,910.00	13.29%
3	Mr. Sun Boreth	-----	-----	\$10,429.00	3.11%	\$54,240.00	5.42%
4	CARD Inc	-----	-----	\$10,292.00	3.07%	50,000.00	5.00%
5	CMI	-----	-----	-----	-----	\$350,000.00	35.00%
Total		\$227,450.00	100.00%	\$335,134.00	100.00%	\$1,000,000.00	100.00%

Seilanithih NGO is created in 1996 by CARE international - Cambodia thru the integration of SEILA Project in Phnom Penh, and the Village Bank in Pursat and in Banteay Meanchey. It is registered with the Ministry of Interior. Seilanithih NGO's objective is to contribute in improving the standard of living of the people through providing financial services.

Bokkaloek Seilanithih Company (BSC) Ltd, former SAMAKUM BOKALOEK SEILANITHIH KROUP (SBSK) or Seilanithih Staff Association, was spin-off as a company in 2008 under the law and general provisions of The Kingdom of Cambodia. It is established in order to enhance internal solidarity within the staff of Seilanithih. **Bokkaloek Seilanithih Company** joined Seilanithih NGO in creating Seilanithih MFI in 2003.

Mr. Sun Boreth is a private individual shareholder. He has joined Seilanithih since 2001 as a Board Member/ Advisor and placed investment in 2006.

Center for Agriculture and Rural Development (CARD) Inc., founded in 1986, is one of the leading microfinance institutions in the Philippines dedicated to empower the socially and economically challenged families of the country. CARD is also registered as an international NGO in the Royal Government of Cambodia. CARD has joined Seilanithih with an initial investment of 3.11% (USD 10,330) of the total shareholding in 2006.

Catalyst Microfinance Investors (CMI) International Holding, is a private company limited by shares incorporated under the laws of Mauritius. CMI is managed by ASA in Bangladesh and Sequoia in the UK and the Netherlands. ASA is one of the world's leading microfinance institutions (MFIs). It currently serves over 6,000,000 clients in Bangladesh in an extraordinary efficient manner. CMI is a private equity fund that invests in emerging, high potential microfinance institutions, selected and managed by a team of globally renowned microfinance practitioners and corporate finance specialists.

ACLEDA Bank Plc. is a public limited company, formed under the Banking and Financial Institutions Law of the Kingdom of Cambodia. Originally, it was founded in January 1993, as a national NGO for micro and small enterprises' development and credit.

Bokaloek Seilanithih Company (BSC), former SAMAKUM BOKALOEK SEILANITHIH KROUP (SBSK) or Seilanithih Staff Association, was spin-off as a company in 2008 under the law and general provisions of The Kingdom of Cambodia.

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Developing World Markets (DWM) is an asset manager and investment bank dedicated to making socially positive investments in order to promote sustainable economic and social development on a global scale. Since 2003, DWM has been investing in MFIs worldwide. Arranges financing for MFIs in the developing world, enabling low-income entrepreneurs with no legitimate alternative access to capital to start and run their own microenterprises.

ETIMOS, is an international financial consortium with Headquarters in Padua, Italy, and three regional offices in Sri Lanka, Argentina and Senegal. It collects savings in Europe and invests in developing and emerging countries financing microfinance institutions, producers cooperatives linked to Fair trade markets and social enterprises.

MicroCredit Enterprises is a non-profit organization based in Sacramento, California (United States), which leverages private capital to promote micro-enterprises throughout the developing world by issuing loans and guarantees to microfinance institutions (MFIs).

Oikocredit Ecumenical Development Co-operative Society, U.A. incorporated under the laws of the Kingdom of Netherlands is a co-operative society founded in 1975. Its registered office is in Amersfoort, Netherlands. Its objective is to mobilize financial credit and resources in order to further development of the poor areas in the world, and to promote economic growth together with social justice and self-reliance.

Rural Development Bank (RDB) was established by the Royal Government of Cambodia in 1998 as a wholesaler. RDB's goals are to raise the rural agriculture development and general economy in order to join poverty reduction and raise people's living standard.

Saving Banks Foundation for International Cooperation is a joint organism of the Savings Banks Finance Group in Germany. It is essentially funded by interest returns from the invested capital and by donations from the member institutes of the Savings Banks Finance Group. The implementation of the international projects is sponsored, among others, by the Federal Ministry for Economic cooperation and Development (BMZ), the KfW Banking Group, the EU and the World Bank.



CLIENT PROFILES

Mrs. Dim Ret is a 48 years old farmer who is living with her husband and four children in Lvea Leu commune, Chamkar Leu district, Kampong Cham province. She described that due to delayed rainy seasons for consecutive two years their farming was badly affected and she had hard times to find enough food to feed her family. At that time, she often used to cooked porridge because there was no enough rice at her home.

Among her four children, only the youngest attending school in grade 6 at Lvea Secondary School. Her one daughter staying at home to help her in household chores, while two sons are selling manual labour to earn some money for the family.



She was informed about Seilanithih thru one of her neighbors that Seilanithih has good lending methodology and good services. She and her husband compared Seilanithih loan policy and services with other MFI she used to have loan with, then she decided to join Seilanithih when she finished her previous loan with other MFI. She applied a loan from Seilanithih Chamkar Leu branch office and was approved her first loan of 1,800,000KHR (about US\$450) for purchasing vegetable seeds and a pump generator for watering the vegetable field. She desired to expand her farming and start a new business of buying fruits from the growers in advance and selling them during the harvesting season. So, she took her second loan amounted 2,500,000KHR (about US\$625) and started her desired business. She and her husband used the loan money efficiently to increased their family income, which has enabled them to ensure enough food for the family and support their son's schooling.

She expressed that "I am happy with Seilanithih and its staff; they have provided me with the source of my capital and help me to improve my family. I wish Seilanithih will continue to help me to fulfill my dream, *a big house and a big farm*"

Mrs. Hul Sam Ath is married with Srey Say and they have three daughters and a son. The oldest daughter is 13 years old while the youngest one is just 4 months. They are living in Sangkat Krbei Riel, Krong Siem Reap, Siem Reap Province. Three of their children are attending school.

After they got married in 1997, they started raising pigs and distil alcohol besides their main occupation of cultivating rice. The distilling alcohol business was losing due to the cool and hot temperature, which damaged the alcohol and made them lack of capital for run their business.

Afterwards, they started selling vegetable at the market but the earning was not enough to support the family expenses. Then they changed to another business that is to cook food and provide services to ceremonies like wedding parties, birthday parties and funerals etc. This business has help them increased their income but they were facing difficulty for transporting the equipments to the ceremony places. So, they were planning to buy a mini-truck to make things easy. Fortunately, Seilanithih's Credit Officer came to make promotions about its financial products and lending methodologies and they approached to Seilanithih for a loan at Siem Reap Branch.



She was approved and took her first loan of US\$3,000 for purchasing a mini -Truck which is used to carry the equipments from her house to the ceremony places. She also took second loan amounted US\$1,550 for buying additional chairs, tables and other equipments and recently she took third loan amounted US\$500 for replacing the old chairs and tables. Besides her husband there are additional four paid workers now working to help running their business.

She said that "Seilanithih's loan help me to increase my income. I have now a mini-truck, a motorcycle, TV and a music instrument. She added that "I will never forget Seilanithih."

BOARD OF DIRECTORS

MR. SUN BORETH, CHAIRMAN

Cambodian, joined with the company as a Director in 2003 and was selected as the Chairman in 2006. Boreth Sun received his Master Degree in Education (Minor in political science) from the University of Massachusetts, USA, in 1992. He has over 20 years of experience working in public and private sectors in the USA and Cambodia.

MR. KUCH SETHA, MEMBER

Cambodian, is the founder of Seilanithih NGO and served as the Chairman of the BOD from 1996 until the first half of 2006. During the time of his leadership, Seilanithih has successfully transformed into a licensed microfinance institution in 2003. He has been the CEO of Seilanithih since 1996. He obtained MBA in 2005 at Chamroeun University of Poly-Technology (CUP), Cambodia. He obtained Diploma on Rural Social Leadership in 1990 in the SEASOLIN, Xavier University in the Philippines and Diploma on Agronomy at the College of Agriculture in Thailand. He has attended numerous training courses on Microfinance, Staff Management and Business Management in Cambodia and abroad. He gained experiences more than 14 years in the field of microfinance and staff management. Currently he is a PhD candidate at CUP and pursuing another MBA in Microfinance at SAIDI in the Philippines.

DR. JAIME ARISTOTLE B. ALIP, MEMBER

Filipino, has been appointed as a board member since 2006. Dr. Alip obtained his doctorate degree in Organizational Development from the Southeast Asia Interdisciplinary Development Institute (SAIDI), Manila, Philippines in 2002. He is an alumnus of the Harvard Business School, Harvard University, USA, having completed the three years OPM Program in 2007. Currently, he is the Founder and the Managing Director of the CARD MRI, Philippines. He has approximately thirty-year experiences with financial sector focused on microfinance, microinsurance and rural development. Dr. Alip held various key positions in the government such as Undersecretary (Deputy Minister) of DSWD, Assistant Secretary (Assistant to Minister) of the Department of Agrarian Reform of the Philippine Government. He also serves as consultant/advisor in several international organizations like FAO, World Bank, Asian Development Bank, Oxfam America and Catholic Relief Services among others.



MR. SUN BORETH



MR. KUCH SETHA



DR. JAIME ARISTOTLE B. ALIP

MR. KUCH KUNTEN

Cambodian, has been reappointed as board member on May, 2010. He has joined Seilanithih in 2000 as the Assistant to Operations Director, branch manager and was promoted as the Operations Director in 2005. He obtained MBA in business administration in the field of Management at Build Bright University and he received Bachelor Degree in Finance and Banking at Build Bright University, Cambodia. He has attended numerous courses on Management and Microfinance in Cambodia, Indonesia, and in the Philippines. He has experiences over 14 years in microfinance sector.

MR. SOVANN LY

Cambodian, has been appointed as an Independent board member on April 5, 2008. He is serving as the Chairman of Audit and Risk Committee. He obtained an MBA from Chamroeun University of Poly-Technology in Cambodia in 2005. He is pursuing CPA, ACCA through Cam-Ed in Cambodia. He received several training courses in accounting, audit, management, financial analysis, financial management, and business planning in Cambodia and abroad. He has several years of experiences in the field of accounting, audit and finance with Internal NGO and Microfinance Institutions. He is currently working with International organization, Lutheran World Federation Cambodia Programme as the Finance and Administration Manager.

MR. SHAFIQUEL HAQUE CHOUDHURY

Md. Shafiqueel Haque Choudhury, Bangladeshi, was appointed as a BOD member in 2009. He is the President and the Founder of ASA, Bangladesh. ASA is known as one of the world leading MFIs and it's microfinance model "ASA Cost-effective and Sustainable Microfinance Model" is well reputed and being adopted by many MFIs in the world. He is also the Board member and a Director of CMI (Catalyst Microfinance Investors) and the CEO of ASA International, which is implementing microfinance in 7 countries across Asia and Africa. Mr. Choudhury has about 30 years of experiences in the field of Microfinance and management. In term of education, Md. Shafiqueel Haque Choudhury is equipped with a Master degree in Sociology from the Dhaka University, Bangladesh.



MR. KUCH KUNTEN



MR. SOVANN LY



MR. SHAFIQUEL HAQUE CHOUDHURY

EXECUTIVE TEAM

MR. KUCH SETHA, CEO

Mr. Kuch Setha is the founder of Seilanithih NGO and was served as the Chairman of the BOD from 1996 until the first half of 2006. Under his leadership, Seilanithih has successfully transformed NGO to Rural Credit Operator into a licensed Microfinance Institution in 2003. He has been the CEO of Seilanithih since 1996. He obtained MBA in 2005 at Chamroeun University of Poly-Technology (CUP), Cambodia. He obtained Diploma on Rural Social Leadership in 1990 in the SEASOLIN, Xavier University in the Philippines and Diploma on Agronomy at the College of Agriculture in Thailand. He has attended numerous training courses on Microfinance, Staff Management and Business Management in Cambodia and abroad. He gained experiences over 14 years in the field of microfinance and staff management. Currently he is a PhD candidate at CUP and pursuing another MBA in Microfinance at SAIDI in the Philippines.

MR. FARID AHMED, Deputy CEO

Bangladeshi, joined with Seilanithih as the Deputy CEO, in the last quarter of 2010. Before joining with Seilanithih, he was providing consultancy services to Seilanithih for over a year. He obtained Masters Degree in Accounting in 1987. He has gained practical experiences over 18 years in the field of Microfinance and Social Development with two big Bangladeshi Microfinance Institutions, BRAC and ASA. He was one of the key members of the Technical Assistance Team that has implemented UNDP sponsored MicroStart Support Project (MSP) and Microfinance Sector Strengthening Project (MSSP) in the Philippines. He received numerous number of training courses related to organisational management, financial management, human resources management, credit management and internal auditing. He is also experienced in providing consultancy services and training to a number of MFIs in Bangladesh and other countries.

MR. KUCH KUNTHEN, Operation Director

He has joined with Seilanithih in 2000 as the Assistant to Operations Director and was assigned as a branch manager and was promoted as the Operations Director in 2005. He obtained MBA in Business Administration in the field of Management at Build Bright University and he received Bachelor Degree in Finance and Banking from the same University. He has attended numerous courses on Management and Microfinance in Cambodia, Indonesia, and in the Philippines. He has experiences more than 14 years in microfinance sector.

MR. YOEURN BUNYIM, Finance Director

He has joined with Seilanithih in late 2008 as the Finance Director. He obtained Bachelor Degree, major in Accounting at National Institute of Management in 2001. He held the Diploma of Development Management from the Asian School of Development and Cross Cultural Studies (ASDECS) in the Philippines. He has experiences of more than nine years in accounting and audit with KPMG Cambodia, Dynamic Pharma Co. Ltd and World Vision Cambodia before joining with Seilanithih. He has participated in several training courses related to management, leadership, audit, accounting, and microfinance in Cambodia and abroad. He is currently pursuing master degree in business administration at Pannasastra University of Cambodia.



MR. KUCH SETHA

MR. FARID AHMED

MR. KUCH KUNTHEN

MR. YOEURN BUNYIM

EXECUTIVE TEAM

MS. SEK MANY, Administrative Director

She joined with Seilanithih in 2001. She started as an administrative officer. Later she served as an administrative unit manager and was promoted as the Administrative Director in 2006. She achieved the Bachelor degree in Business Administration at Build Bright University in Cambodia. She was sent to the Philippines join the training course on the Best Practice in Microfinance conducted by CARD MRI in June 2006. She has attended several training courses, workshops and seminars related to management and microfinance in Phnom Penh and other provinces. She has experience more than 9 years with a Commercial Bank before joining with Seilanithih. She is currently pursuing master degree at Royal University of Law and Economics (RULE).

MR. HAY SAMNANG, Acting HR Director

He joined with Seilanithih in 2000 as a Credit Officer. He was promoted to Credit Supervisor, Admin and Account Supervisor during 2002 - 2003. He was assigned as the acting Branch Manager in 2003 and become the Branch Manager in 2004. He was promoted as the Regional Manager in 2009. He is being chosen as the Acting Human Resource Director in April 2011. He obtained an MBA in Business Administration in the field of management from the University of Management and Economics. He gained over 14 years of working experience in the Microfinance sector. He used to work with ACLEDA Bank as a Credit Officer prior to join with Seilanithih. He has attended numerous number of local and overseas training courses related to branch management, human resource management, accounting, MFI performance analysis, credit management and best practices in microfinance.

MR. LIM REAM SOCHEAT, MIS Director

He has joined with Seilanithih in 2005. He has been MIS Director since 2007. Socheat holds a bachelor degree in Management Information System from the National University of Management, Phnom Penh in 2003. He has several years of working experiences in computer programming and managing the information system security with various private companies before joining with Seilanithih. He has attended numerous local and abroad training courses related to microfinance and banking software like used of Kredits system administrative, used of MBWin micro banking system administrative, organizational planning system, and performance analysis for microfinance institution. He was sent to Philippines to join a training course on The Microfinance Program in July 2008 at CARD-MRI. He has more than 6 years experiences in networking and database management system (DBMS) within promote a transparent perform an enhancement with optimization of the management information system by ensuring sustainability and security.

MR. KIM SOPHEA, Internal Audit Director

He joined SEILANITHIH in 2010 as Internal Audit Director. He obtained a Master Degree in the field of Finance and Banking in 2009, and Bachelor's degree in the field of Accounting at National University of Management in 2003. He has more than seven years experiences with ACLEDA BANK and hold various position there such as Assistant Vice-President and Manager of Account Reconciliation Unit in Operation Department (Headquarter), Assistant Vice-President and Manager of E-Banking and Trade Finance Audit Unit & Assistant Vice-President & Assistant Manager of Internal Audit Development in Internal Audit Division (Headquarter). He also used to work as a Chief of Branch Accountant at ACLEDA BANK Plc, Battambang Branch for two years. He has participated in several training courses related to management, leadership, audit, and accounting. Currently he is pursuing CPA, ACCA in Cam-Ed in Cambodia.



MS. SEK MANY



MR. HAY SAMNANG



MR. LIM REAM SOCHEAT



MR. KIM SOPHEA

EXECUTIVE COMMITTEE

The Executive Committee was established by the Board in the last quarter of 2008 in order to monitor management activities, whether the management is complying with the existing policies, business plan and annual plan, and monitor the Operations, Finance and Internal Control of the Company.

Committee Composition

- 1- Mr. Sun Boreth, Chairman
- 2- Mr. Kuch Seta, Member
- 3- Mr. Kuch Kunthen, Secretary

Roles and Responsibilities of Executive Committee

The Executive Committee regularly monitors Seilanithih operational activities to:

- Ensure that the Company financial and operational performances are within and inline the budget and plan;
- Review and approve the recruitment of all Director positions of the Company;
- Provide strategic guidance to ensure effective management of the Company's operations;
- Serve as a decision making body on behalf of the Board of Directors, when the Board is not on session; and
- Review Company's policies, products and services, and formulate appropriate recommendations to the Board for approval and/or changes;

Activities and Achievements of Executive Committee

The Executive Committee has conducted ten meetings in 2010 to monitor overall performance of the company. All key management staff were required to present their respective department's achievements and challenges to the Executive Committee for setting up the strategy and improving the company performance.



AUDIT AND RISK COMMITTEE

The Audit and Risk Committee was established on 26 September 2007. The Committee is made up of 3 members, with one non-executive independent BOD member who is appointed as committee chairman. The committee has been established to oversee and strengthen the department capacity and to improve internal control mechanism of the organization.

Committee Composition

1. Mr. Ly Sovann, Chairman;
2. Mr. Sun Boreth, Member;
3. Dr. Jaime Aristotle B. Alip, Member;
4. Mr. Kim Sophea, Secretary.

Roles and Responsibilities of Audit and Risk Committee

The Audit and Risk Committee works to ensure that the information included in the financial reports to the Board are complete, accurate, reliable, relevant, verifiable and timely. Moreover, the Audit and Risk Committee also reports to the board of directors about any pertinent issues.

Key functions include:

- **Values and Ethics:** The audit committee periodically reviews the arrangements established by Seilanithih management to exemplify and promote public service values and to ensure compliance with laws, regulations, policies, and standards ethical conduct;
- **Risk Management:** The audit committee regularly reviews the corporate risk profile and departmental risk management arrangements;
- **Management Control Framework:** The audit committee regularly reviews company's internal arrangements, including the adequacy of management-led audit.
- **Internal Audit Function.**

Activities and Achievements of Audit and Risk Committee

During the 2010, the Audit and Risk Committee met ten times. The committee undertakes regular monitoring of internal and external auditing to ensure that the company's business operations are soundly conducted and are accurately reported. The Committee reviewed and evaluated the present risk management framework which has been updated to cover the responsibility and authority at all management levels of each risk category the company is exposed to.



FINANCIAL PRODUCTS

Seilanithih has designed products to serve low income people, micro and small entrepreneurs, and farmers for both in rural and urban areas. Depending on the clients' business and income sources, they can choose between Declining or Balloon payment method.

Group Loan: is offered to poor Cambodian people with low income micro-entrepreneurs, and farmers. A solidarity group consists of 2 to 5 persons together with the loan size from US\$25 to US\$600 and its equivalent to KHR and THB with the loan term ranges from 1 - 12 months both in balloon and declining repayment mode depending on the business types.

Individual Loan: is offered to both poor and moderate poor client's who are engage in micro and small entrepreneurship and farming. Clients can borrow money individually with a loan size from US\$25 to US\$3,000 and its equivalent to KHR and THB with the term range from 1-12 months declining or balloon repayment mode depending on the type of business.

Compulsory Saving: The borrowers must deposit their saving before or on the disbursement. An additional amount of deposit is required if the next cycle loan amount is bigger than the previous loan amount. Compulsory savings for group loans and individual loans in KHR and Baht currencies are 5% of the amount disbursed while 3% for the US\$ currency loans. Clients can also deposit additional amount in their savings account. Seilanithih provides incentive on savings balance at the rate of 6% per annum for deposits in KHR and Baht currencies and 3% per annum deposit in US\$ currency.

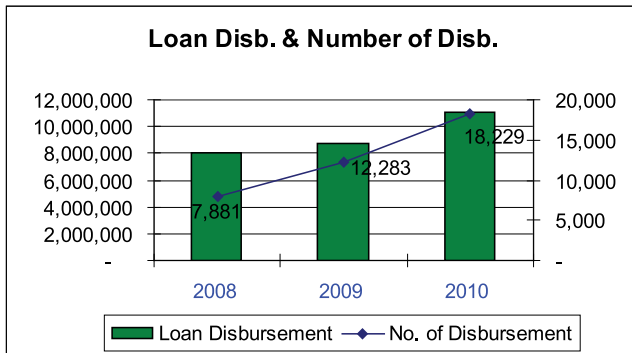
IFAD Loan: is the loan for agriculture and specific for only the people who were trained on AIP by the provincial department of agriculture forestry and fishery. IFAD Loan is provided in two provincial branches only (Pursat Branch and Banteay Meanchey Branch). AIP training completed people have to create a solidarity group of 2 - 5 members and can get the loan from US\$25 to US\$600 and its equivalent to KHR and THB for the maximum 12 months period. They can choose either balloon or declining repayment mode to repay their loans.



OPERATION DEPARTMENT

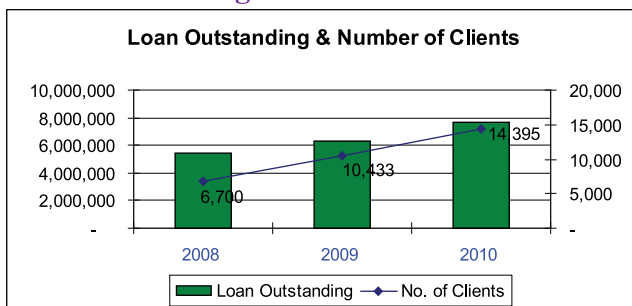
2010 was another opportunity for growing the operations due to the economic rebound in Cambodia. As the result both the loan portfolio and the number of clients were increased. The loan portfolio increased by 1.4 Million US Dollars while number of clients increased by 3,962 (38% compared with 2009). As of December 31, 2010, Seilanithih operated through 23 branch offices which cover operation in Phnom Penh City, Pursat, Battambang, Banteay Meanchey, Siem Reap, and Kampong Cham Province.

Loan Disbursement



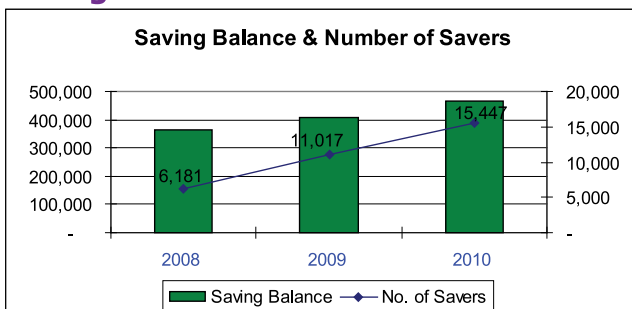
The total loan disbursement in 2010 was US\$11,043,672 to 18,229 clients, which showed an increased amount by 26% and increase number by 48% compared to the loan disbursement in 2009. The average loan disbursement was US\$606 which was decreased amount US\$107 from last year, caused by our focus to serve the rural low income households.

Loan Outstanding



At the end of year 2010, Seilanithih's loan outstanding was reached US\$7,692,876 which was increased by 22% compared to the loan outstanding in 2009. The loan outstanding was composed of group loan and individual loan where the group loan share was 11% and individual loan share was 89% of the total loan outstanding.

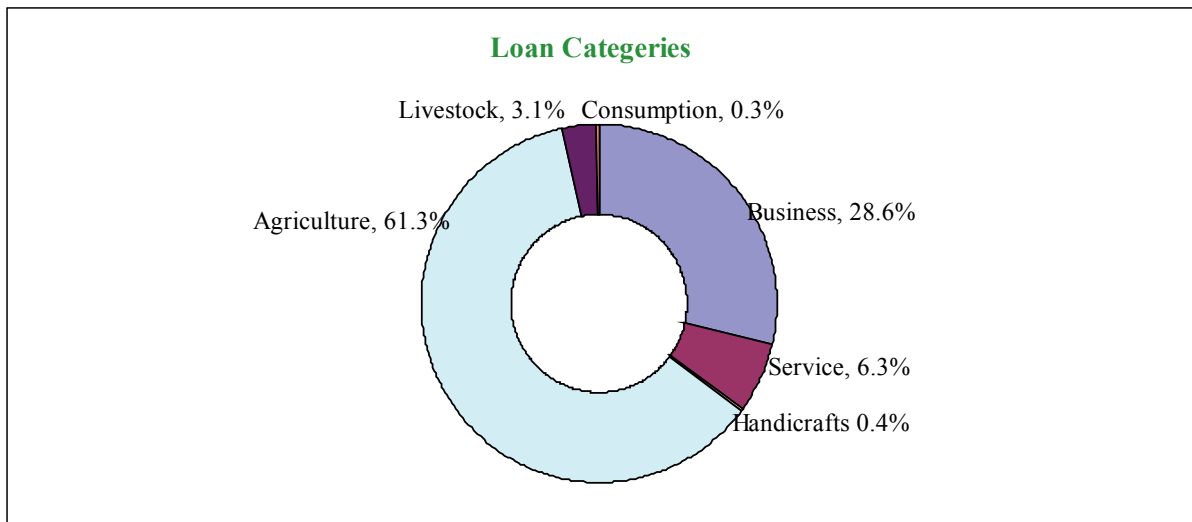
Saving



The growth of loan outstanding was also impacted the growth of the saving balance due to the compulsory saving methodology. As a result, savings balance was achieved US\$ 465,933 which was increased by 15% compared to previous year, while number of savers reached 15,447 which was an increased by 40% compared to previous year. The growth of savings depends on the amount of loan disbursement due to its compulsory nature.



Loan Category



Seilanithih provides loan to supports different types of livelihood opportunities. As of December 31, 2010 results showed the loan in Agriculture sector was the dominant ventures which is consist of 61.3% of total portfolios, mostly for farming crops such as rice, corn, potato, green bean, soybean, sesame, etc. in business sector was represented 28.6% of total portfolios, which mainly involved in buying and selling in the form of micro and small business activities. Service sector constituted 6.3% of total portfolios consisting of house rental, car rental, taxi car, taxi motor, repairing shop, etc. Livestock sector represented 3.1% of total portfolios mostly engaged in raising ducks, pigs, chickens, fish, etc. Handicraft sector was represented 0.4% of total portfolios and consumption presented 0.3% of total portfolios, relating to purchase fixed assets, furniture, home improvement, etc. As noted from loan category the portfolio in Agriculture sector share the largest percentage 61.3% in 2010 which was increased from 45.4% in 2009 due to the increase branches in rural area which is reflecting our commitment to serve poor households.



OPERATIONS HIGHLIGHT

Operation Areas	31-Dec-10	31-Dec-09	31-Dec-08
# of Villages	2,212	1,796	897
# of Communes	438	369	252
# of Districts	95	79	47
# of Branch Office	23	20	7
Gross Loan Portfolio			
Gross Loan Portfolio	\$7,692,876	\$6,291,573	\$5,479,165
Number of Borrowers	14,395	10,433	6,700
Average Loan Portfolio	\$534	\$603	\$818
Loan Portfolio by Sector			
Business	\$2,201,460	\$2,461,003	\$2,565,518
Service	\$484,409	\$592,817	\$396,127
Handicraft	\$28,557	\$35,559	\$9,962
Agriculture	\$4,714,701	\$2,854,272	\$2,105,723
Livestock	\$240,975	\$147,061	\$00
Consumption	\$22,774	\$200,861	\$401,835
Type of Clients Reached			
Female	9,956	6,980	4,490
Male	4,439	3,453	2,210
Urban	\$757,825	\$790,926	\$36,954
Semi-urban	\$1,376,057	\$1,237,072	\$99,343
Rural	\$5,558,994	\$4,263,575	\$5,342,868
Saving Outstanding			
Saving Balance	\$465,934	\$406,212	\$365,256
Number of Savers	15,447	11,017	6,181
Average Saving Outstanding	\$30	\$37	\$59
Amount of Loan Disbursement			
Amount of Loan Disbursed	\$11,043,672	\$8,762,693	\$8,064,341
Number of Clients Disbursed	18,229	12,283	7,881
Average Loan Disbursed	\$606	\$713	\$1,023
Efficiency & Productivity			
Amount of Loan Portfolio/CO	\$91,582	\$79,640	\$89,822
Credit Officer Productivity	171	132	110
Number of Credit Officers	84	79	61
Portfolio at Risk			
Amount of PAR>30 Days	\$199,537	\$179,399	\$35,638
%PAR> 30 Days	2.59%	2.85%	0.65%

HUMAN RESOURCE DEPARTMENT

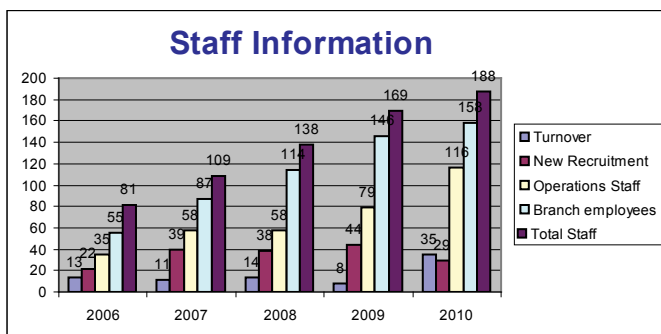
INTRODUCTION

Human Resource Department is supporting management in developing and implementing the human resource policies and procedures in cooperation with supervisors and managers to create pleasant atmosphere in the workplace and to motivate staff to perform their best, and to contribute in achieving the organizational vision and mission.

Human Resource Department so far has developed clear and transparent staff policies and procedures related to staff recruitment, appraisal, compensation and discipline.

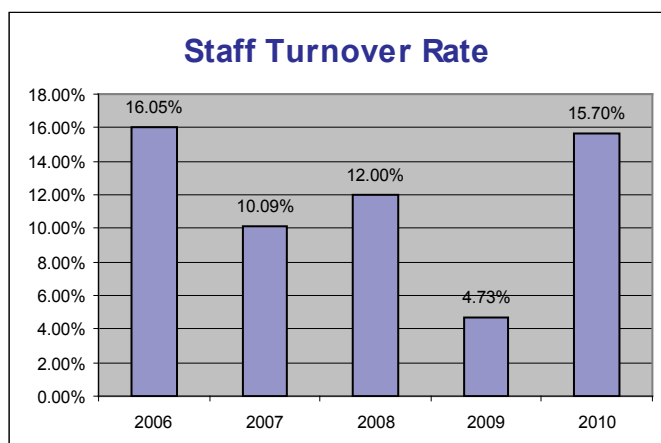
Information of staff from 2006 to 2010

In 2010, number of staff increased by 11.24% compared to the last year. In this year we have also restructured our organization. A position in the company was omitted and some staff changed to other positions. Because of this impact, we experienced high staff turn over up to 15.70% comparing to 4.73% in 2009. Chart below showing staff information from 2006- 2010.

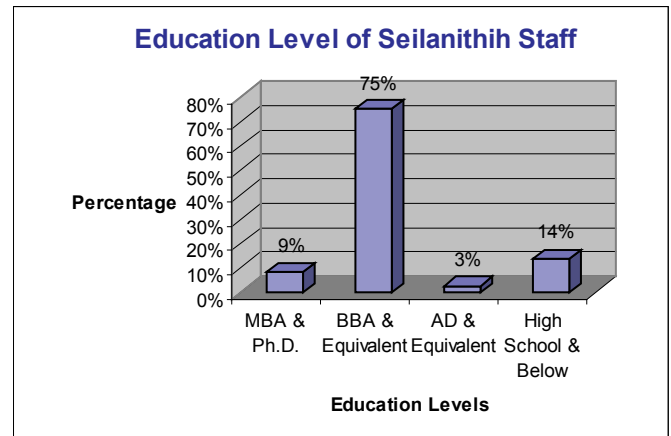


Turnover rate of Staff from 2006 to 2010

2006 = 16.05%, 2007 = 10.09%, 2008 = 11.67%, 2009 = 4.73%, 2010 = 15.70%.



Staff by educational background



Training Program

In 2010, Human Resource Department conducted several training courses for all staff positions. All these training courses are divided into 3 categories as below:

1.Orientation: is focused on the new recruited or promoted staff;

2.Capacity Building: is focused on promoted staff or whose position will be changed or when there are changes in the policy;

3.Refreshment: is conducted yearly for operation and office staff in order to refresh them the policies and good practices.

In 2010, there were 25 training courses have been conducted for 330 staff both inside and outside of the company. A total of nine (9) courses were conducted within Seilanithih and 16 courses were conducted outside Seilanithih. This assumes that each staff of Seilanithih had attended at least one course and 64% of the staff had attended two courses in 2010.

4- Overseas Training and Exposure

In 2010, 5 staffs were sent to overseas to attend the Experience-Exchange Training, International Conference, to Germany, Japan and in the Philippines.

- In August 2010, Mr. Yoeurn Bunyim, Finance Director was sent to Germany to visit Germany Saving Bank for a week with full support from Germany Savings Bank.
- In October 2010, Mr. Nay Chhuon Kosal, Operation Manager and Mr. Kong Sokun, Provincial Manager were sent to Philippines to attend an Experience Exchange and best practices of CARD Bank and CARD NGO training, with full support from Germany Saving Bank;
- In November 2010, Mr. Chet Vathanak, HR. Director and Microinsurance Program Director was sent to the Philippines to attend an International Conference on Microinsurance conducted by Muniche Re cooperate with High Commission for Microinsurance of the Philippines, with the assistance from Remansi.
- In November 2010, Mr. Chuon Sambath, Branch Manager of Chamkarleu branch was sent to Japan to attend the third Annual Microfinance Forum conducted and sponsored by Living in Peace.



INTERNAL AUDIT DEPARTMENT

Internal Audit Department is an essential part of the Risk Management strategy of the Company. It operates under the supervision of the Audit and Risk Committee, which ensure it unrestricted access to review all activities of the organization.

Internal auditing is an independent check on the performance of Seilanithih, objective assurance and advisory activity designed to add value and improve overall operation. It is helping the company to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal Audit is completely independent organ of the Company. Independence is ensured by having completely separate staff team and the department reporting directly to Audit and Risk Committee. The primary goal of the Internal Audit is to determine whether the risks are identified by checking to see if:

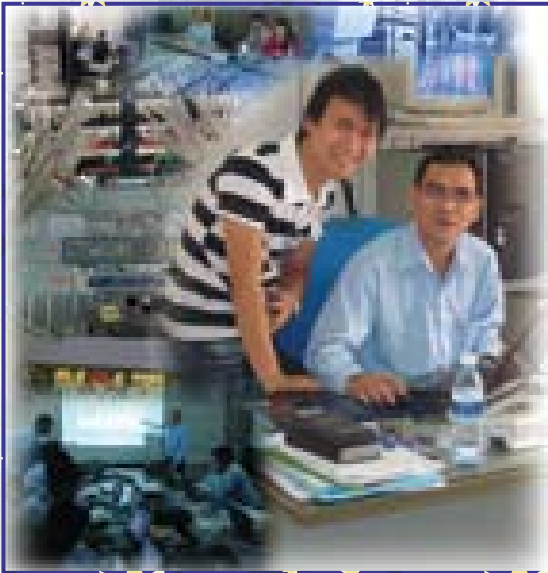
- Financial and operating information is accurate (for internal and external purposes);
- Internal policies and procedures are being followed;
- Management's risk identification, prioritization and mitigation is appropriate, and
- Any new risks become evident or previously identified risks remain unaddressed.

Year 2010 was devoted to further develop the Internal Audit team's skills through the provision of various audit trainings related to Microfinance practices. Continuous audit training courses shall be provided in 2011 to ensure that auditors would be well equipped with updated audit knowledge and skills to effectively monitors Seilanithih's activities in the future.



MIS DEPARTMENT

In 2010 Seilanithih has bought additional three licenses of Kredits databases for 3 new branches, with totally 23 branches in 2010. MIS department is responsible for managing the loan tracking system of Seilanithih. Aside from the successfully setting up databases at all branches, the MIS department also provided numbers of training related to Kredits System to branch Accountant and Branch Managers to enhance capacities in managing clients effectively.



During the year, the MIS department received support through Technical Assistant from CARD MRI, Philippines to help IT unit and MIS department for reviewing IT security policies and improved management information system security procedure. Besides these, the MIS department also did an additional upgrading of some important tools of the Kredits system that needs to be developed in order for Seilanithih to produce necessary reports and compliance report for the regulators. The MIS department planned to pilot testing in 2011, upgrade online centralized database and reinforce internal control security to increase Seilanithih potential of managing information system and the MIS department still continues to be committed maintaining and improving its existing MIS, as well as relevant policies and procedures.



Year 2010 Seilanithih MFI reported a profit after tax of US\$205,575 against the US\$106,034 profit after tax reported in 2009.

Operating Income reach to US\$ 1,992,182 during 2010, compared to US\$ 1,684,091 during 2009. This 18% increase in operating income reflected consistent growth of our net loan portfolio from US\$ 6,165,774 in 2009 to US\$ 7,481,867 in 2010. In addition, number of clients consistently increased from 10,433 in 2009 to 14,395 in 2010.

Operation costs for the year 2010 were US\$ 1,539,831 an increase of 18% from previous year due to the increase in number of its branches from 20 in 2009 to 23 in 2010 and increase number of staff.

Due to increase in loan portfolio and number of branches, company total assets increased by 8% in 2010 to US\$ 8,319,409 from US\$ 7,710,766 as at the end of 2009.

(In Thousand US\$)

Description	2006	2007	2008	2009	2010
Total Assets	1,894	3,855	7,400	7,711	8,319
Gross Loan Portfolio	1,745	3,519	5,479	6,292	7,693
Total Liabilities	1,001	2,787	6,453	6,143	6,385
Share Capital	337	342	335	1,000	1,000
Shareholder's Equity	893	1,068	947	1,568	1,935
Total Income	786	1,128	1,855	2,177	2,550
Operating Costs	610	730	1,228	1,303	1,540
Profit Before Tax	89	177	131	165	306
Profit After Tax	80	163	56	106	206



EXTERNAL AUDIT REPORT

Report of the Board of Directors

The Board of Directors have pleasure in submitting their report together with the audited financial statements of Seilanithih Limited (“the Company” or “Seilanithih”) for the year ended 31 December 2010.

Principal activity

Seilanithih is engaged primarily in the provision of micro-finance services to the rural population of Cambodia through its head office in Phnom Penh and its various provincial offices in the Kingdom of Cambodia.

Financial results

The financial results of the Company for the year ended 31 December 2010 were as follows:

	US\$
Profit before income tax	305,776
Income tax expense	(100,201)
Net profit for the year	<u>205,575</u>

Dividends

During the financial year, the Company declared and paid dividends of US\$79,525 (equivalent to KHR322,314,825) in respect of the prior year’s profit.

Share capital

There were no changes in the registered and issued share capital of the Company for the year under review.

Reserves and provisions

There were no material movements to or from reserves and provisions during the financial year other than as disclosed in the financial statements.

Bad and doubtful loans

Before the financial statements of the Company were prepared, the Board of Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad loans and the making of allowance for doubtful loans, and satisfied themselves that all known bad loans has been written off and adequate allowance had been made for bad and doubtful loans.

At the date of this report, the Board of Directors is not aware of any circumstances, which would render the amount written off for bad loans, or the amount of allowance for doubtful loans in the financial statements of the Company, inadequate to any substantial extent.

Current assets

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

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

Valuation methods

At the date of this report, the Board of Directors is not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Company as misleading or inappropriate.

Contingent and other liabilities

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

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

No contingent or other liabilities of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

Change of circumstances

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

Items of unusual nature

The results of the operations of the Company for the financial year were not, in the opinion of the Board of Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

Significant events

No significant events occurred after the balance sheet date that requires disclosure or adjustment other than those already disclosed in the accompanying notes to the financial statements.

The Board of Directors

The members of the Board of Directors during the year and at the date of this report are:

- Mr. Sun Boreth, Chairman
- Mr. Kuch SETHA, representing Seilanithih NGO, Member
- Md. Shafiquel Haque Choudhury, representing CMI International Holding, Member
- Mr. Kuch Kunthen, representing Bokkoloek Seilanithih Co., Ltd, Member
- Dr. Jaime Aristotle B. Alip, representing CARD Inc., Member
- Mr. Ly Sovann, Member

All Members are non-executive board members, except Mr. Kuch SETHA, who holds the position of Chief Executive Officer and Mr. Kuch Kunthen, who holds the position of Operation Director.

Directors' interests

The Directors who held office at the end of the financial year and their interests in the shares of the Company are as follows:

	Holding %	Number of Shares US\$ 10 each
Mr. Sun Boreth	5.42%	5,424
	<u>5.42%</u>	<u>5,424</u>

Directors' benefits (continued)

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

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

Responsibilities of the Board of Directors in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) maintain adequate accounting records and an effective system of internal controls;
- (iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and

Responsibilities of the Board of Directors in respect of the financial statements (continued)

- (v) control and direct effectively the Company in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

Signed in accordance with a resolution



Mr. Sun Boreth
Chairman

Date: 11 MAY 2011



Mr. Koch Setha
Chief Executive Officer

Date: 11 MAY 2011

REPORT OF THE INDEPENDENT AUDITORS

To the shareholders Seilanithih Limited

We have audited the accompanying financial statements of Seilanithih Limited (“the Company” or “Seilanithih”), which comprise the balance sheet as at 31 December 2010, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 8 to 59.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our 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, we consider internal control relevant to the entity’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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Seilanithih Limited as at 31 December 2010 and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements.

For KPMG Cambodia Ltd



Phnom Penh

11 May 2011

Balance sheet

As at 31 December 2010

	2010		2009	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Assets				
Cash on hand	27,876	112,981	19,610	81,754
Deposits and placements with banks	408,223	1,654,528	1,132,115	4,719,787
Statutory deposits	50,000	202,650	50,000	208,450
Loans to customers	7,481,867	30,324,007	6,165,774	25,705,112
Other assets	245,254	994,014	167,993	700,363
Intangible assets	32,400	131,317	38,997	162,578
Property and equipment	73,789	299,067	136,277	568,139
Total assets	8,319,409	33,718,564	7,710,766	32,146,183
Liabilities and shareholders' equity				
Liabilities				
Deposits from customers	465,934	1,888,431	406,212	1,693,498
Borrowings	5,380,334	21,806,494	5,283,125	22,025,348
Other liabilities	259,035	1,049,868	286,127	1,192,863
Provision for income tax	160,973	652,423	90,709	378,166
Provision for provident fund and severance pay	118,304	479,486	76,356	318,328
Total liabilities	6,384,580	25,876,702	6,142,529	25,608,203
Shareholders' equity				
Share capital	1,000,000	4,053,000	1,000,000	4,104,268
Reserves	31,115	126,109	4,477	18,665
Retained earnings	455,180	1,844,845	128,138	534,207
Subordinated debt	464,061	1,880,839	451,149	1,880,840
Translation difference	(15,527)	(62,931)	(15,527)	-
Shareholders' equity	1,934,829	7,841,862	1,568,237	6,537,980
Total liabilities and shareholders' equity	8,319,409	33,718,564	7,710,766	32,146,183

Income statement

For the year ended 31 December 2010

	Note	2010		2009	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest income		2,482,295	10,060,741	2,077,871	8,662,644
Interest expenses		(557,874)	(2,261,063)	(492,777)	(2,054,387)
Net interest income		1,924,421	7,799,678	1,585,094	6,608,257
Other operating income		67,761	274,635	98,997	412,718
Operating income		1,992,182	8,074,313	1,684,091	7,020,975
Fee and commission expenses		(25,174)	(102,030)	(28,953)	(120,705)
Operating and other expenses		(1,539,831)	(6,240,935)	(1,303,139)	(5,432,786)
Allowance for bad and doubtful loans		(127,366)	(516,214)	(187,137)	(780,174)
Profit from operations		299,811	1,215,134	164,862	687,310
Grant income		5,965	24,176	-	-
Profit before income tax		305,776	1,239,310	164,862	687,310
Income tax expense		(100,201)	(406,115)	(58,828)	(245,254)
Net profit for the year		205,575	833,195	106,034	442,056

Statement of changes in equity for the year ended 31 December 2010

	Share capital US\$	Reserves US\$	Retained earnings US\$	Subordinated debt US\$	Translation difference US\$	Total US\$
At 1 January 2009	335,134	4,574	146,317	460,877	-	946,902
Conversion of loan and amounts due to shareholders to share capital	664,866	-	-	-	-	664,866
Dividends distribution	-	-	(121,124)	-	-	(121,124)
Net profit for the year	-	-	106,034	-	-	106,034
Translation difference	-	(97)	(3,089)	(9,728)	(15,527)	(28,441)
At 31 December 2009	<u>1,000,000</u>	<u>4,477</u>	<u>128,138</u>	<u>451,149</u>	<u>(15,527)</u>	<u>1,568,237</u>
Dividends distribution	-	-	(79,525)	-	-	(79,525)
Reserves	-	26,509	(26,509)	-	-	-
Net profit for the year	-	-	205,575	-	-	205,575
Translation difference	-	129	227,501	12,912	-	240,542
At 31 December 2010	<u>1,000,000</u>	<u>31,115</u>	<u>455,180</u>	<u>464,061</u>	<u>(15,527)</u>	<u>1,934,829</u>
(KHR'000 equivalent)	<u>4,053,000</u>	<u>126,109</u>	<u>1,844,845</u>	<u>1,880,839</u>	<u>(62,931)</u>	<u>7,841,862</u>
(At 31 December 2009 – KHR'000 equivalent)	<u>4,104,268</u>	<u>18,665</u>	<u>534,207</u>	<u>1,880,840</u>	<u>-</u>	<u>6,537,980</u>

Statement of cash flows for the year ended 31 December 2010

	2010		2009	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash flows from operating activities				
Net cash used in operating activities	(735,244)	(2,979,944)	(617,850)	(2,575,816)
Cash flows from investing activities				
Purchase of property and equipment	(8,966)	(36,339)	(114,406)	(476,958)
Purchase of intangible assets	(3,000)	(12,159)	(14,600)	(60,867)
Proceeds from disposals of property and equipment	13,900	56,337	750	3,127
Net cash generated from/(used in) investing activities	1,934	7,839	(128,256)	(534,698)
Cash flows from financing activities				
Proceeds from borrowings	2,489,124	10,088,420	1,795,000	7,483,355
Repayments of borrowings	(2,391,915)	(9,694,432)	(1,437,338)	(5,992,262)
Dividends distribution	(79,525)	(322,315)	(81,124)	(338,205)
Net cash generated from financing activities	17,684	71,673	276,538	1,152,888
Net decrease in cash and cash equivalents	(715,626)	(2,900,432)	(469,568)	(1,957,626)
Cash and cash equivalents at beginning of year	1,151,725	4,801,541	1,656,252	6,759,167
Translation difference	-	(133,600)	(34,959)	-
Cash and cash equivalents at end of year	436,099	1,767,509	1,151,725	4,801,541
Significant non-cash transactions				
During the year, there was following significant non-cash transaction:				
Conversion of share subscription in advance to share capital	-	-	657,681	2,707,019
Conversion of amounts due to shareholders to share capital	-	-	7,184	29,569

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