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Seilanithih Microfinance Institution



ANNUAL REPORT 2009

Makes Life a Success





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Makes Life a Success

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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 services.”

MESSAGE FROM THE CHAIRMAN



As the Chairman of the Board of Directors, I am pleased to take this opportunity to express my gratitude to our valued clients, regulators, lenders, investors, donors, shareholders and all staff on behalf of Seilanithih Limited.

During 2009, the company has gone thru restructuring process and reformed its operational strategies, aiming to improve its service delivery mechanics, productivity and portfolio quality. To date the company has made considerable success in positioning its branch offices close to clients to ensure faster delivery of services; we also made an outstanding progress in broadening our client

base and portfolio as well as maintaining the reasonable portfolio quality.

As Seilanithih keeps on growing, the company put efforts to further strengthen its supervision and monitoring system thru creating seven Provincial Manager positions to streamline day to day branch operations, while a three-member operation team being established at the head office to manages and oversee the overall company field operations.

During the year, Seilanithih also has earned an E grade rating by the CRISIL Ltd, an Indian international rating agency.

Year 2009 also saw tremendous success for the company with stable financial performance, increased number of branches, clients and staff coupled with improved capacity. The company has been increased its paid-up capital to US\$ 1 million from US\$ 335,134 through additional contributions from its existing shareholders and by accepting CMI/ASA as a new shareholder. The inclusion of CMI helps the company to increase its lending capital and brought new experiences from ASA, Bangladesh, which will build trust with our existing lenders as well as potential new lenders and investors.

The Company will endeavor to fulfill its vision and hope that the year 2010 will bring more opportunities for Seilanithih. We will strive to expand our services to a greater number of Cambodian people in rural areas and we remain committed to continue improving our services, operational efficiencies and portfolio quality to serve our partners and clients.

On behalf of the Board of Directors and myself, I wish to congratulate and thanks the company's Chief Executive Officer, the management team, as well as staff at all levels for their tireless efforts and commitment for making year 2009 a great success..

I humbly recognized your contributions; our valued clients, regulators, shareholders, lenders, donors and the general public; together we are able to make these successes possible.

Mr. Sun Boreth, Chairman

MESSAGE FROM THE CEO

In Year 2009, Seilanithih has made enormous achievements in expanding its service delivery outlets thru opening 9 new branches within its existing operating provinces. The number of branches has so far increased from eleven to twenty.

Seilanithih also has exhibited significant growth both in outreach and loan portfolio. Number of active clients increased to 10,433 while loan portfolio reached US\$6.3 Million. Outreach grew up by 56% compare to year 2008 and loan portfolio grew up by 15% at the same period. Portfolio quality so far experienced ups and downs through out the year due to the recession of the global economic crisis. However, Seilanithih ended up the year with a reasonable 2.85% PAR >30 days. The compulsory saving balance increased to US\$406,210 from US\$365,256 (an increase of 11%) in year 2009.



The operational self-sufficiency was 108.02% while financial self-sufficiency achieved 106.72% in the year 2009, which were slightly lower than the previous year caused by massive expansion in the 4th quarter. Nevertheless, the company was able to boost-up its net profit by 89% than 2008. Company's total assets increased from US\$7.4M to US\$7.7M (an increase of 4.2%) in year 2009.

In April 2009, National Bank of Cambodia (NBC) recognized the capital investment of Catalyst Microfinance Investors "CMI" that increased Seilanithih's paid up capital to US\$ 1 Million. Incofin also become our partner that supported to broaden our operations. During the year, Seilanithih has also participated with the Microfinance Transparency Pricing. To reinforce staff capacity building, Seilanithih has conducted several internal training courses for all staff level as well as some staff participated in numbers of external training.

I wish to take this opportunity on behalf of Seilanithih management team to extend my sincere appreciation to all staff for their commitment, hard work and honesty, which is the underlying force that making Seilanithih more confident and placed it among the leading Microfinance Institutions in Cambodia. I also wish to extend my thankfulness to our honorable shareholders, our Board of Directors, donors, lenders and the National Bank of Cambodia for their constant supports and providing us with strategic guidance through out the year. Last but not least, I would like to extend my heartiest thanks to our valued clients for their continuous supports and their trust in our products and services.

Mr. Kuch Setha, CEO

MILESTONES

- 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. Eleven new branches were established



COUNTRY ECONOMIC OVERVIEW

With total population of over 14.8 million people Cambodia is one of the world's poorest economies, and, thus, economic development is its highest priority. Much of its population which is about 75 percent is involved in subsistence farming (families producing what is needed for daily living) and about 80 percent are poor. About 66 percent of the country is forested or woodlands, with only 13 percent of the land arable. The rural economy is dominated by the agriculture sector, which account for about one third of GDP.

Declines in clothing exports, tourism receipts, and construction caused by the global recession brought about a contraction in GDP last year. Inflation faded then turned up by year-end. Despite the adoption of an expansionary fiscal policy to cushion the impact of the slump, poverty incidence likely increased. This demonstrates a need to diversify sources of growth and to better target fiscal policy. The improved global outlook this year paves the way for moderate rates of economic growth during the forecast period.

Economic performance

After growth that averaged 9.1% from 1998 to 2008, the economy contracted by an estimated 2.0% in 2009. The shrinkage reflected output declines in three of the four drivers of growth: garment exports, tourism receipts, and construction, which together account for over one-third of GDP. In contrast, the primary sector, the economy's fourth driver producing about 30% of GDP, maintained trend growth and served as a social safety net for many laid-off workers. Agricultural output expanded by an estimated 4%, mainly a result of favorable rains. Fisheries production received a boost from aquaculture and marine fishing to expand by about 9%, while growth in livestock and forestry-related production is estimated to have remained at around trend rates. Growth in services slowed to about 1.5%, principally a reflection of a decline in tourism receipts as global travel waned, and of border tensions with Thailand, a country through which many tourists transit. Heading into 2009, inflation decelerated from very high levels, such as 35.6% in May 2008, as world oil and food prices fell and domestic monetary policy was tightened in mid-2008.

Weakening domestic demand in 2009 further subdued price pressures, so that the consumer price index on average in 2009 was 0.7% below prior-year levels. By December, though, year-on-year inflation had returned at a rate of 5.3%.

Cambodia: Economic Indicators, 2005-2009

Economic Indicator	2005	2006	2007	2008	2009e
Per capita GNI, Atlas method (\$)	460	500	550	600	...
GDP growth (% change per year)	13.3	10.8	10.2	6.7	-2.0
Inflation (end of year)	8.4	4.2	14.0	12.5	5.3
CPI (% change per year)	5.9	6.1	7.7	25.0	-0.7
Unemployment rate (%)
Fiscal balance (% of GDP)	-2.5	-2.7	-2.9	-2.8	-5.9
Export growth (% change per year)	12.4	26.9	10.7	15.1	-17.0
Import growth (% change per year)	19.8	21.8	13.8	19.8	-16.3
Current account balance (% GDP)	-9.8	-7.9	-8.2	-12.2	-10.7
External debt (% of GNI)	34.2	32.2	32.2	30.3	...

Economic prospects

If global economic growth is in line with the Asian Development Outlook 2010 assumptions and if the weather allows for reasonable crops in Cambodia, GDP is projected to rebound by 4.5% in 2010.

In 2011, a return to higher—though still below trend—growth in garment exports and tourism, together with some expansion of non-garment manufacturing and a pickup in other services subsectors, is projected to raise GDP growth to around 6%. Inflation of around 5.0% is projected for the forecast period, assuming no renewed surges in oil or food prices or sharper depreciation of the dollar, and assuming a reduction in domestic financing of the budget deficit in 2010.

Source: Asian Development Outlook 2010



CAMBODIAN MICROFINANCE ENVIROMENT

Cambodia Microfinance first started in 1992 under the control of Ministry of Interior with Non Governmental Organization status, and was mostly mixed in with other activities. Initially most of operators were not successful because: operators themselves did not have sufficient experiences and knowledge of this business, clients did not understand the role of microfinance and their obligations, and the microfinance environment in Cambodia was very new and untried. In 1999 the National Bank of Cambodia (NBC) established rules and regulations to guide and control financial activity and required some Microfinance Institutions (MFIs) to register, and some MFIs to obtain operating license based on legal criteria.

According to Cambodia Microfinance Association (CMA) network information exchange on December 31, 2009, showed that 20 MFIs, one commercial bank (small loan) and one NGO reaching 1,102,246 borrowers with total loan portfolio of US\$ 492.28 millions and speeded all provinces/cities of Cambodia.

Overall microfinance in Cambodia has attracted ongoing trust from international financial markets. Many different independent evaluation done by international investors demonstrate that microfinance in Cambodia has been improving very rapidly in the last five years on loan services, and become a leading country in term of management. MFIs in Cambodia are very effective, with decreasing interest rates and increasing outreach and expansion. However the microfinance sector has felt the impact of the global financial crisis as nonperforming loans have increase from under 1 per cent a year ago to 2.86 percent as of December 2009.

A two-day forum to Help Promote Cambodian Microfinance amid Global Financial Crisis in Phnom Penh, Cambodia, held on August 19, 2009 which co-organized by the National Bank of Cambodia "Central Bank", IFC, the European Union, and the Cambodia Microfinance Association, senior micro-financiers, bankers, regulators, and local authorities discussed how microfinance institutions could boost the country's economy, promote

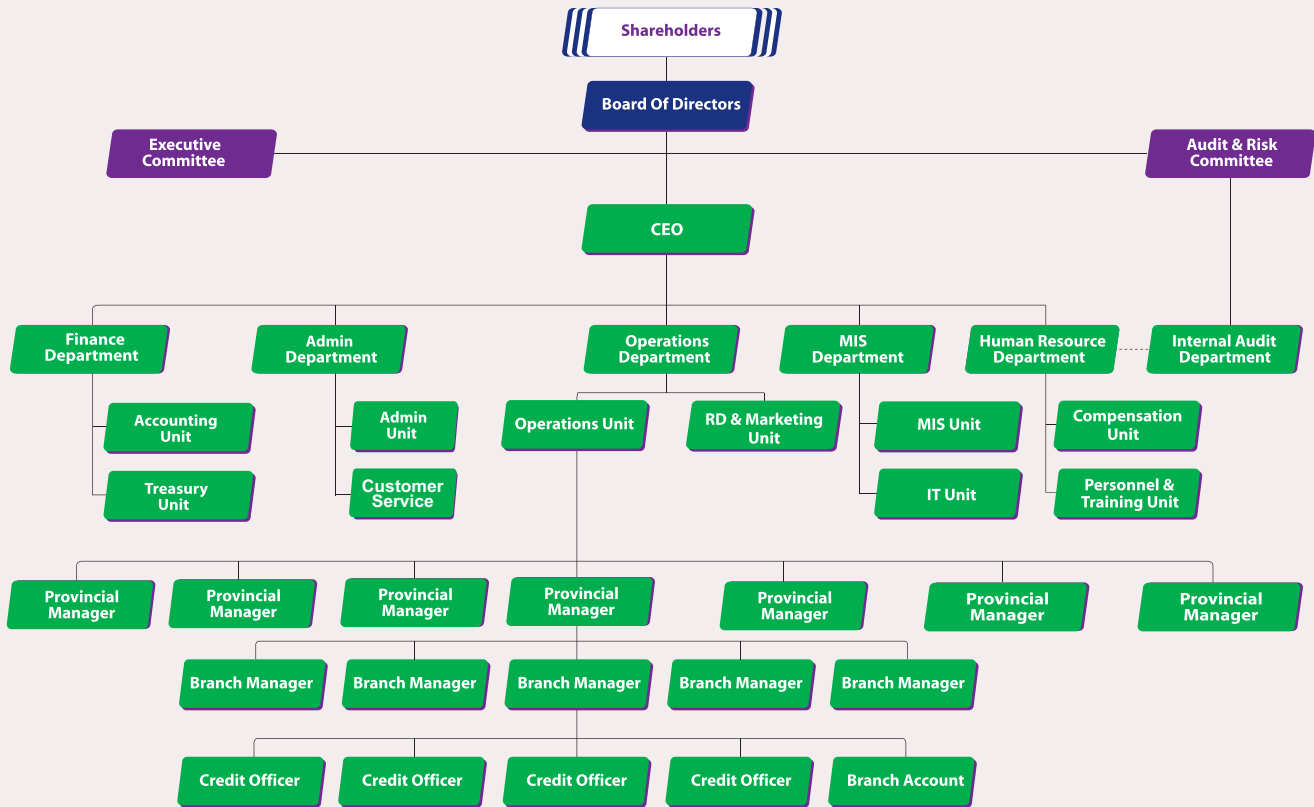
financial inclusion, and enhance customer protection. On the other hand IFC is helping Cambodian microfinance institutions strengthen their contribution to the country's socio-economic development, and expand financial services to the rural population amid the global financial crisis.

H.E Chea Chanto, Governor of the National Bank of Cambodia, said, "The microfinance sector in Cambodia has grown fast and significantly contributed to improving access to financial services for the rural population, the success of the sector is vital to ensuring quick financial inclusion. We have adopted legislation that enables microfinance institutions to mobilize public deposits to help them access cheaper sources of funds while allowing rural population to safely save their hard-earned cash."

Source: NBC, IFC, CMA



ORGANIZATIONAL CHART



OPERATION AREAS



City & Provinces:	7
Districts/Khan:	79
Communes/Sangkat:	369
Branches:	20



-  Operation Areas
-  Target market in the future

SHAREHOLDERS



The shareholding structure of Seilanithih has been increased its paid up share capital from 1,367,860,000 KHR (equivalent to US\$ 335,134) to US\$ 1,000,000 as of April 2009. The additional share capital is sourced from the following:

No.	Shareholders	2003 - 2006		2007 - 2008		2009	
		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 though 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. They 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 extraordinarily 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

LENDING PARTNERS

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.

Blue Orchard Finance SA is Swiss company specializing in the management of investment funds dedicated to the microfinance industry. It serves investors, funds, and MFIs supporting sustainable development of microentrepreneurship in emerging economies.

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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.

INCOFIN: Since its creation in 1992, INCOFIN CVSO has built up a portfolio of investments in microfinance institutions. As a specialized microfinance fund management company, Incofin Investment Management invests in microfinance institutions that help enterprising people to set-up their own business and thus get a chance to improve their living conditions.

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

Mr. Pol Khemra, an orphan who came in the early 80s from Prey Veng province to Phnom Penh city to live with his relative. He was married at the age of twenty three with his co-worker at the government textile industry. After they got married the government textile industry was transform to private own factory. In three months of transformation, his wife gave birth to a daughter and resigned from her work. One year later he himself also resigned from the textile factory because the income was too small, not enough to cover their family expenses.



Mr. Khemra's family used to live in an old wooden house where they experienced flooding during the rainy seasons. As time passes they got four children over the next few years. Both of them used to work hard, sewing blanket around Phnom Penh city to support their four children. But they were able to earn only a little money which was not enough to maintain their family's living. Later, they decided to establish their own business. They borrowed some money from their relative and started sewing blanket by themselves. In the beginning, the business was small due to lack of capital and the income was just enough to support the family expenses.

In 2006, He got information from his nephew that Seilanithih Phnom Penh Branch is providing loans to poor people for expanding or starting a new business. Then he contacted with the credit officer of Seilanithih and managed to take a loan of US\$1,000, which he used to buy clothes for expansion of his business. After he got loan from Seilanithih his business was growing very well. During his 3rd loan he bought a land and in his 4th loan he built a new house. His eldest daughter is studying at National University of Management. According to Mr. Khemra "that was the turning point of my life and I will never forget Seilanithih's help to my family". Now Mr. Khemra is dreaming to buy a car for his family.

Mrs. Sao Hen was born in a poor family in a rural village of Kandal province. Her family's livelihood depended on the rice farming, which largely depends on the unpredictable monsoon rains. She grew up during the civil war in the country, was not able to finish her primary schooling. She was married a soldier in 1979 and her husband died in a war in 1987. She became widowed with two children. The eldest child (son) was 7 years old while the youngest (daughter) was only 9 months old. She found it very hard to feed her two children regularly.



She started working as a daily labour to load and unload bricks from trucks for earning her living and at the same time she used to do farming. Her children were stopped schooling at grade three causes she was not able to support. In 2006, her son decided to work as a restaurant waiter in Phnom Penh to support the family expenses. She married off her daughter with a farmer while she was nineteen years old.

In year 2007 she got learned from a neighbour that Seilanithih MukKampoul branch is providing loans to poor people. She took her first loan of KHR1,000,000 (about US\$250) for buying rice seeds and fertilizer. She desired to earn more and took her second loan of KHR2,000,000 (about US\$500) to bought a motorcycle and a cart for her son-in-law who started buying coconuts from the remote villages and sell them in urban areas. The income has begun to increase in her household. So she decided to expand her coconut business and took her 3rd loan of KHR1,000,000 (about US\$250). In addition to coconut business Seilanithih loan helped her to buy a bicycle and a television.

She stopped the hard work of loading and unloading bricks two years before. Currently, she cleans chilies at home to earn money.

She stated that "I feel happy now, I am dreaming to build a new house for my family. I like to thanks Seilanithih for helping me in my bad times"

BOARD OF DIRECTORS



MR. BORETH SUN



MR. KUCH SETHA



DR. JAIME ARISTOTLE B. ALIP

MR. BORETH SUN, CHAIRMAN

Cambodian, joined with the company as a Director in 2003 and was elected 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, BOARD 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 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. CHET VATHANAK****MR. SOVANN LY****MD. SHAFIQUAL HAQUE CHOUDHURY****MR. CHET VATHANAK, BOARD MEMBER**

Cambodian, has been appointed as a board member in 2008. He joined with Seilanithih in 2003 as a Portfolio Quality Officer. Later he served as a Human Resource Officer and was promoted as the Human Resource Director in 2005. He obtained MBA from Panansastra University of Cambodia (PUC) in 2006. He has also earned a Trainer certificate on Microfinance Distance Learning from the Tokyo Distance Learning Center (TDLC) in 2006. He has experience working as Training Coordinator and Program Manager for a local NGO and also served as the Executive Director for an International Institute for Education Improvement.

MR. SOVANN LY, BOARD MEMBER

Cambodian, has been appointed as an Independent Board Member on April 5, 2008. He is serving as the Chairman of Audit and Risk Committee since 2007. 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 analyses, financial management, and business planning in Cambodia and abroad. He has several years of experiences in the field of accounting, audit and finance with International NGO and Microfinance Institutions. He is currently working with International Organization Lutheran World Federation Cambodia Programme as Finance and Administration Manager.

MD. SHAFIQUAL HAQUE CHOUDHURY, BOARD MEMBER

Md. Shafiqul Haque Choudhury, Bangladeshi, was appointed as a BOD member in 2009. He is the President and Founder of ASA, Bangladesh. ASA is known as a world leading MFI and its 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 Director of CMI (Catalyst Microfinance Investors) and CEO of ASA International, implementing microfinance in 7 countries across Asia and Africa. Mr. Choudhury has many years-experiences in the field of Microfinance. In term of education, Md. Shafiqul Haque Choudhury is equipped with Master degree in Sociology from Dhaka University, Bangladesh.

EXECUTIVE TEAM



MR. KUCH SETHA



MR. KUCH KUNTEN



MR. YOEURN BUNYIM



MR. CHET VATHANAK

MR. KUCH SETHA, CEO

He 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 13 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. KUCH KUNTEN OPERATIONS DIRECTOR

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 more than 10 years in microfinance sector.

MR. YOEURN BUNYIM FINANCE DIRECTOR

He has joined 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 eight 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 of business administration at Pannasastra University of Cambodia

MR. CHET VATHANAK HUMAN RESOURCE DIRECTOR

He joined with Seilanithih in 2003 as a Portfolio Quality Officer. Later he served as a Human Resource Officer and was promoted as the Human Resource Director in 2005. He obtained MBA from Panansastra University of Cambodia (PUC) in 2006. He also earned a Trainer certificate on Microfinance Distance Learning from the Tokyo Distance Learning Center (TDLC) in 2006. He has experience working as Training Coordinator and Program Manager for a local NGO and also served as the Executive Director for an International Institute for Education Improvement.

**MS. SEK MANY****MR. LIM REAM SOCHEAT****MR. SIN SOK****MS. SEK MANY, ADMINISTRATION 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 to 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 experiences more than 8 years with a Commercial Bank before joining with Seilanithih. She is currently pursuing master degree at Royal University of Law and Economics (RULE).

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 institutions. He was sent to Philippines to join a training course on The Microfinance Program in July 2008 at CARD-MRI. He has more than 5 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. SIN SOK, SENIOR INTERNAL AUDITOR

He has joined with Seilanithih in 2004. He obtained Bachelor's Degree in the field of Finance and Banking at Royal University of Law and Economics (RULE) in 2003, and held a Master Degree in the field of Financial Management at RULE in 2007. He also obtained a Bachelor Degree in English Languages at Build Bright University. He attended numerous courses related to audit and microfinance conducted by Cambodia Institute of Banking (CIB), KPMG. He also joined the exposure training course on Best Practices in Microfinance in December 2009 in the Philippines conducted by CARD MRI. Currently, he is pursuing CPA, ACCA in Cam-Ed in Cambodia. He will be appointed to be Internal Audit Director in 2010.

EXECUTIVE COMMITTEE

The Executive Committee was established by the Board in the fourth 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 Setha, Member
- 3- Mr. Chet Vathanak, 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 overall operations of the Company;
- Serve as a decision making body on behalf of the Board of Directors, when the Board is not in session;
- Review the 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 nine meetings in 2009 to monitor overall performance of the company. During those meetings, several topics were discussed and the Executive Committee made some recommendations to the management team to improve the performance. In those meetings all key management staff were required to present their respective department's achievements and challenges to the Executive Committee. These meetings have served as monitoring mechanism of the overall activities of the management team, which is proved to be helpful and highly effective to improve the performances



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 within the committee appointed as the committee chairman. In light of the growth of the organization and in compliance with National Bank of Cambodia (NBC) PRAKAS and recommendation by external audit firm, 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. Sin Sok, Secretary.

Roles and Responsibilities of Audit and Risk Committee

The Audit and Risk Committee ensures that the information include in the financial reports to the Board is complete, accurate, reliable, relevant, verifiable and timely. Moreover, the Audit and Risk Committee also report to board of directors about any pertinent issues. Key responsibilities include:

- **Values and Ethics:** The audit committee shall review, at least annually, 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 shall review, at least annually, the corporate risk profile and departmental risk management arrangements;
- **Management Control Framework:** The audit committee shall review, at least annually, agency's internal control arrangements, including the adequacy of management-led audit.
- **Internal Audit Function.**

Activities and Achievements of Audit and Risk Committee

During 2009, the committee has held 11 meetings to discuss about the findings and issues from internal audit reports and formulated recommendations and strategies to improve audit procedures. In addition, the committee has discussed external audit report of 2009 and improvement of Internal Control and strengthens the Department's capacity to support the institution as a whole.



FINANCIAL PRODUCTS

In 2009, Seilanithih had revised its financial products by decreasing loan size from maximum US\$5,000 to US\$3,000 and loan term from 24 to 12 months based on the portfolio analysis, microfinance environment, and economic situation in Cambodia.

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 a 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 clients who are engaged 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.

Consumption Loan: is an individual loan used for family or personal purposes but it is not for the business purpose. The consumption loan size is ranging from US\$25 to US\$3,000 and its equivalent to KHR and THB with the term ranges from 1-12 months in declining repayment mode only.

IFAD Loan: is the loan for agriculture and specifically for 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.

Compulsory Savings: The borrowers must deposit their savings before or on the loan 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.

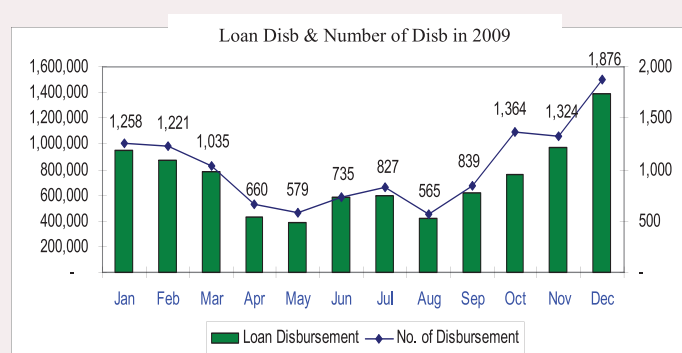
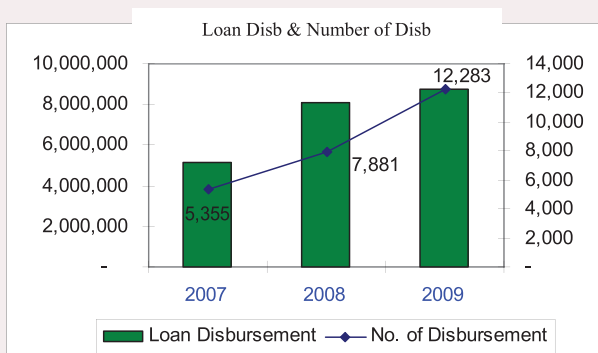


OPERATIONS DEPARTMENT

Again in 2009 Seilanithih has achieved remarkable growth in terms of expanding number of branches, number of clients and size of the portfolio. During the year, the company has established nine new branches and added 3,743 new clients to its base. As of December 31, 2009, Seilanithih serves 10,443 clients in 79 districts, 369 communes and 1,796 villages of 7 Provinces that are Phnom Penh City, Kandal, Pursat, Battambang, Banteay Meanchey, Siem Reap, and Kampong Cham thru its 20 branches. Seilanithih also has revised its operational strategies in response to cater more low income people.

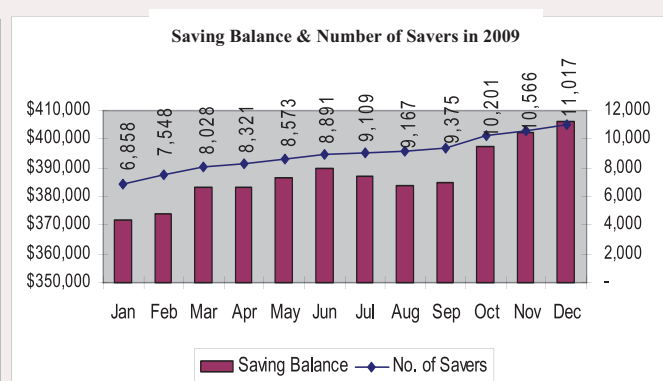
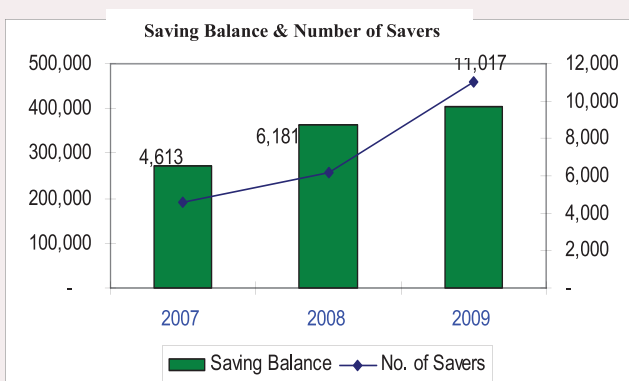
Loan Disbursement

The total loan disbursement in 2009 was US\$8.76 Million to 12,283 clients, which is 9% higher in amount and 56% higher in numbers than the previous year. The average loan disbursement was US\$713 which was declined by US\$310 than 2008, caused by our priority to serve low income people.



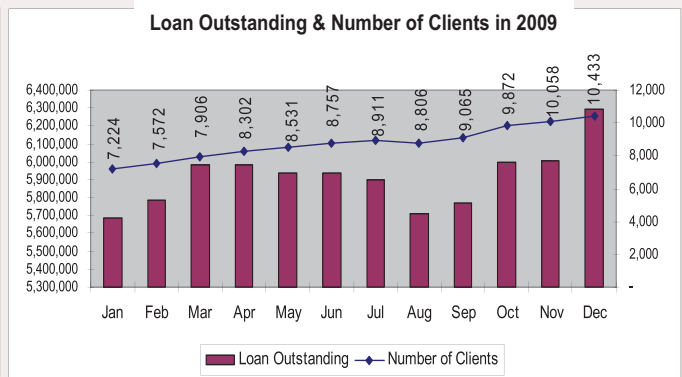
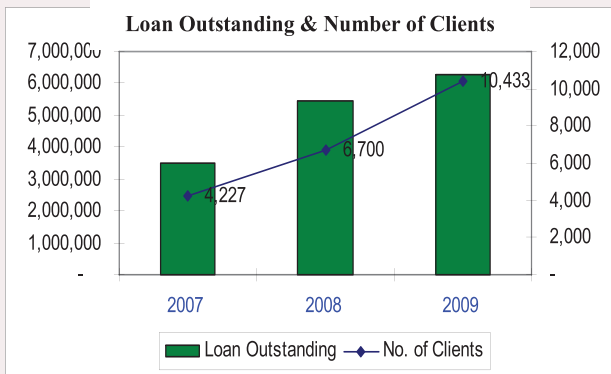
Savings

The total amount of savings was US\$ 406,212 with 11,017 savers, which is 11% higher in amount and 78% higher in numbers compared to the previous year. The growth of savings is depending on the amount of loan disbursement due to its compulsory nature, yet we showed significant growth in the number of savers.



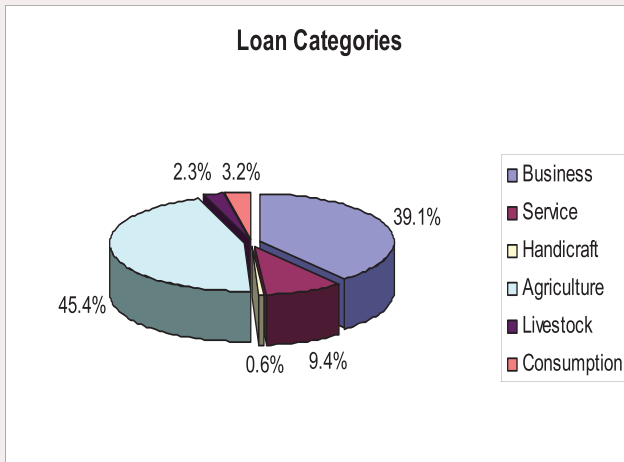
Loan Outstanding

At the end of year 2009, total loan outstanding amount was US\$6.3 Million, which is 15% higher compared to year 2008. The loan outstanding amount composed of two categories that are; the group loan and the individual loan, where the proportion of group loan and individual loan were 15% and 85% respectively.



Loan Category

Seilanithih offers loan to clients in difference types of business.



As of December 31, 2009, loans in business sector represented 39.1% of total portfolio. Clients in the business sector are mostly involve in buy and sale in the form of micro and small business activities. Agriculture sector was held 45.4% of total portfolios mostly in farming crops such are rice, corn, potato, greenbean, soybean, sesame, peanut etc. Service sector constituted 9.4% of total portfolios engaged in renting house, taxicab, tailoring, mototaxi, repairing shop, etc. Handicraft sector represented 0.6% of total

portfolio and consumption presented 3.2%, used in purchase fixed assets, furniture and home improvement, etc. Livestock sector represented 2.3% mostly engaged in raising ducks, pigs, chickens, fish, etc.



OPERATIONS HIGHLIGHT

Operation Area	31-Dec-09	31-Dec-08	31-Dec-07
# of Villages	1,796	897	634
# of Communes	369	252	205
# of Districts	79	47	40
# of District Office	0	4	2
# of Branch Office	20	7	6
Loan Portfolio			
Gross Loan Portfolio	\$6,291,573	\$5,479,165	\$3,518,712
Net Loan Portfolio	\$6,238,757	\$5,473,439	\$3,515,896
Number of Borrowers	10,433	6,700	4,227
Average Loan Portfolio	\$603	\$818	\$832
Loan Category by Sectors			
Business	\$2,461,003	\$2,565,518	\$1,616,265
Service	\$592,817	\$396,127	\$368,002
Handicraft	\$35,559	\$9,962	\$42,016
Agriculture	\$2,854,272	\$2,004,649	\$1,298,231
Livestock	\$147,061	\$101,074	\$62,598
Consumption	\$200,861	\$401,835	\$131,600
Compose of Clients			
Female	6,980	4,490	2,851
Male	3,453	2,210	1,376
Compose of Loan Portfolio			
Urban	\$790,926	\$36,954	\$140,748
Semi-urban	\$1,237,072	\$99,343	\$211,123
Rural	\$4,263,575	\$5,342,868	\$3,166,841
Savings			
Saving Balance	\$406,212	\$365,256	\$273,798
Number of Savers	11,017	6,181	4,613
Average Savings	\$37	\$59	\$59
Amount of Loan Disbursement			
Amount of Loan Disburse (YTD)	\$8,762,693	\$8,064,341	\$5,115,311
Number of Clients Disburse (YTD)	12,283	7,881	5,355
Average Loan Disburse (YTD)	713	1,023	955
Efficiency & Productivity			
Amount of Loan Portfolio/CO	\$79,640	\$89,822	\$85,822
Credit Officer Productivity	132	110	103
Number of Credit Officers	79	61	41
Portfolio at Risk			
Amount of PAR>30 Days	\$179,399	\$35,638	\$13,545
%PAR> 30 Days	2.85%	0.65%	0.38%

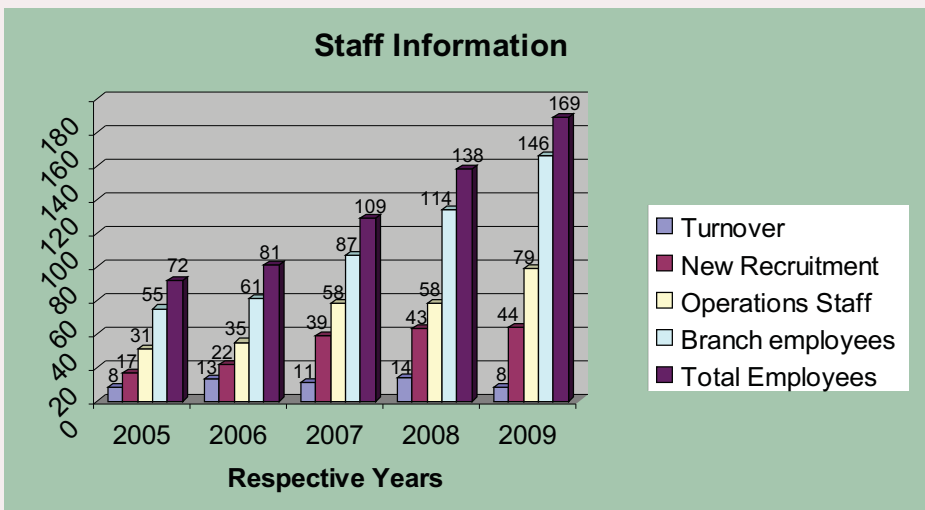
HUMAN RESOURCE DEPARTMENT

The Human Resource Department is assisting the company’s top Management in developing and implementing appropriate personnel policies, programs and procedures. In coordination with the middle and line management the Department is creating a pleasant atmosphere within the organization to make sure that personnel at all levels contributes their best towards achieving the vision and mission of the company.

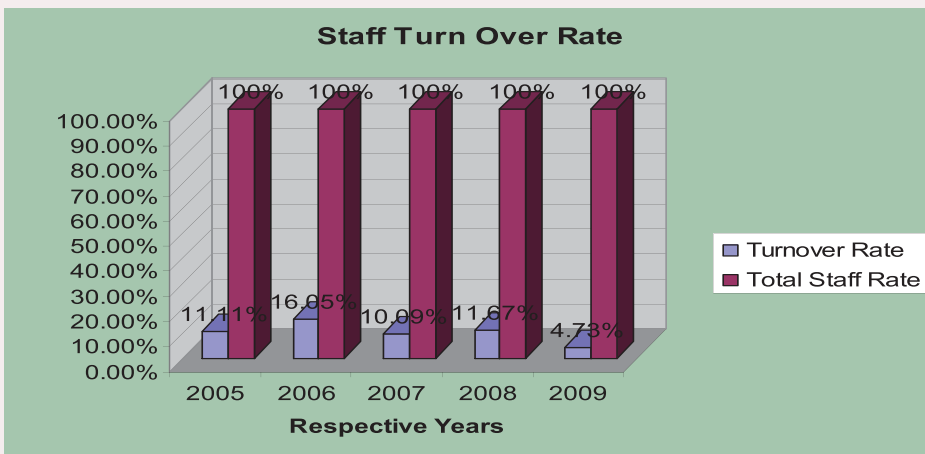
Over the years HR department has successfully developed clear and transparent policies and procedures related to staff recruitment, training, performance appraisal, compensation, and disciplinary to manage the human resources effectively, In 2009, HR department has further improved staff policy manual, appraisal policy, incentive policy and other procedures which has effectively improved the process of on time staff recruitment.

A: Staffing Information for the Last Five Years

As restructuring and expansion of our operations is gone though out the year, Seilanithih staff members increased remarkably by 41% than the previous year. Staff turnover rate declined to 4.73 % in 2009 compared 11.67% in 2008. Company’s staffing trends for the last five years (2005 - 2009) is shown in the chart below:



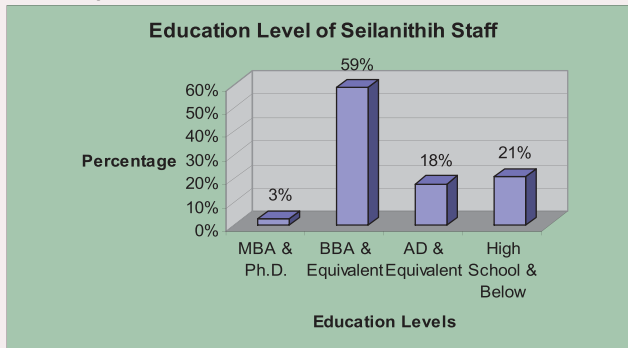
Employees’ Turnover Rate



Yearly Turnover Rate

2005 = 11.11%,
 2006 = 16.05%,
 2007 = 10.09%,
 2008 = 11.67%,
 2009 = 4.73%.

Seilanithih is providing opportunities to every manager to earn at least Bachelor Degree in Business Administration. By the December 31, 2009, Seilanithih staff have earned their Degrees and Diplomas as follows:



Staff Education Levels

MBA & Ph.D	= 3%
BBA & Equivalent	= 59%
AD & Equivalent	= 18%
High School & below	= 21%

B: Training Program

In 2009, HR Department has conducted several training courses for Seilanithih staff at all levels, which can be categorized in to four different types as mentioned below:

1. **Orientation:** It focuses on new employees or promoted staff.
2. **Capacity Building:** It focuses on promoted staff or when Seilanithih has developed new policies.
3. **Refreshment:** It is conducted every six months mainly for operational staff and once in a year for supports staff in order to recap organization's policies, procedures, forms and practices.
4. **Staff Development training:** It educates in associate, bachelor, or master degree to senior management level of Seilanithih.

In 2009, total 252 Seilanithih staff were attended in 41 training courses, in which 23 courses were conducted internally and 18 courses were conducted externally. This means that all staffs of Seilanithih were trained for at least one course and 50% were trained for two courses during the year 2009.

Abroad Events

In January 2009, one staff was sent to Japan to attend in a training course on "Total Quality Management" organized by CAMFEBA and sponsored by Nippon-Keidanren International Cooperation Center (NICC).

In the mid of 2009, one staff was sent to attended in a training course in Master Degree in Microfinance in SAIDI in the Philippines, with sponsorship from CARD Inc.

Five management staff were sent to CARD MRI in Philippines for an exposure training and learning the best practices of microfinance during the year, sponsored by CARD Inc.



INTERNAL AUDIT DEPARTMENT

Internal Audit Department is independent and under the supervision of the Audit and Risk Committee, which is chaired by an independent member of Board of Directors.

The Internal Audit Department reviews and evaluates the soundness, adequacy, effectiveness of accounting, financial, and operating policies, procedures, and controls. Also determine the extent of compliance with policies, plan, government regulations, and communicate to management the potential cost resulting from non-compliance. The internal audit department has also focused on other functions such as Finance Department, Administrative Department, Human Resource Department and MIS Department.

In 2009, the department was conducted audit functions three times in each branch and two times at the Head Office. The Department has contributed in order to reduce mistakes/errors in the branch operations and controlling fraud and financial misappropriation. Its also has influenced all departments specially the operation and the finance department to comply with the institutional policies and procedures as well as the NBC regulations.



MIS DEPARTMENT

By the end of 2009, Seilanithih has totally 20 Kredits databases licenses for its 20 branches. Thirteen databases licenses (13) have been bought additionally during the year for newly established branches. Each branch is equipped with up-to-date hardware including renewed infrastructures of networking to support the increasing daily operation activities. Seilanithih is able to ensure services to meet its business needs including both current and the future strategies. Considerable effort has been made to ensure the MIS team is well prepared to manage the Kredits system.

By understanding and knowing company operations and credit policies & procedures, MIS department have integrated Kredits into all aspects of Seilanithih operations, which is an essential element in the process of integrating Kredits operations and enables Seilanithih to maximize efficiencies of decision-making with new software and allows Seilanithih to received meaningful ongoing support from Technical Development Solution (TDS).

The MIS Department has provided mostly Kredits training courses to related staff and maintain the smooth operation of the MIS, the classroom on the job training were provided to all provincial managers, branch managers, branch accountants and cashiers (teller). Training manual which contains comprehensive training procedures and instructions for MIS and use of Kredits has also been developed to improve understanding of the management information system. Besides these, the MIS department and IT unit manages to strengthening the monitoring of servers system, Kredits databases, data security backup, disaster recovery system to prevent risk from virus and hackers.

In 2009, the MIS department also plays an important role by developing Easy Cash Controlling (ECC) system which is linked with Kredits system to computable with ACCPAC accounting system. ECC system assists with many new features such as portfolio voucher reports, ledger of entered transactions, which can be manually retrieved from ECC system, and also generated the new chart of accounts to comply with the NBC chart of accounts.



FINANCIAL REVIEW

In year 2009, Seilanithih Limited attained a net profit of US\$ 106,034 compared with US\$ 56,063 in 2008, an increase by 89.13%

Operating Income reached to US\$1,684,091 in 2009 compared with US\$ 1,413,288 during 2008. This 19% increased operating income reflected the consistent growth of our loan portfolio from US\$ 5,479,165 in 2008 to US\$ 6,291,573 in 2009. Operation costs during the year were US\$ 1,303,139, an increase by 6% from the previous year.

(In Thousand US\$)

Description	2005	2006	2007	2008	2009
Total Assets	1,533	1,894	3,855	7,400	7,711
Gross Loan Portfolio	1,333	1,745	3,519	5,479	6,292
Total Liabilities	842	1,001	2,787	6,453	6,143
Share Capital	224	337	342	335	1,000
Shareholder's Equity	691	893	1,068	947	1,568
Total Income	595	786	1,128	1,855	2,177
Operating Costs	461	610	730	1,228	1,303
Profit Before Tax	86	89	177	131	165
Profit After Tax	81	80	163	56	106

Balance Sheet, Equity and Solvency

Company's total assets increased by 4% in 2009 to US\$ 7,710,766 from US\$ 7,400,168 in 2008 due to increases both in loan portfolio and number of branches,

Company efficiently finances its portfolio through commercial borrowing from both the local and the international institutions. The borrowing was increased by 5% in 2009. It was US\$ 5,283,125 in 2009 compared with US\$ 5,031,672 in 2008. Company's main lenders are Oiko-credit Ecumenical Development Cooperative Society U.A, Developing World Markets, Dexia Micro-Credit Fund, Micro Enterprises, INCOFIN C.V.S.O, Rural Development Bank, Consorzio Etimost S.C, Rural Development Bank under IFAD, Catalyst Microfinance Investors (CMI) International Holding.

In addition, to strengthen the capital base company has also accepted a new shareholder, CMI international, in early 2009. The share capital is increased to US\$ 1,000,000 from US\$ 335,134 in 2008.

Company's solvency ratio reached to 20.52% at the end of the fiscal year. It is above the minimum requirement by National Bank of Cambodia and sufficient to support the general growth of the company activities.



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 2009.

Principal activity

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

Financial results

The financial of the Company for the year ended 31 December 2009 were as follows:

	KHR'000
Profit before income tax	687,308
Income tax expense	<u>(245,252)</u>
Net profit for the year	<u><u>442,056</u></u>

Dividends

During the financial year, the Company declared dividends of KHR504, 966,000 (equivalent to US\$121,124) and paid in cash of KHR338, 206,000 (equivalent to US\$81,124) in respect of the prior year’s profit.

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 income statement and balance sheet 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 had 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.

Report of the Board of Directors (continued)

Current assets

Before the income statement and balance sheet 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 realized 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 realize.

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 or Directors is not aware of any circumstances which have been 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;
- (b) any contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of its business operations.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may 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 likely, in the opinion of the Board of Director, 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.

Report of the Board of Directors (continued)

Share capital

During the year the Company increased its registered share capital from KHR1, 367,680,000 (equivalent to US\$335,134) to KHR4, 104,268,000 (equivalent to US\$1,000,000). The approval was obtained from the Ministry of Commerce on 29 April 2009 and the national Bank of Cambodia on 8 June 2009

The Board of Directors

The members Board of the 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
(Appointed on 6 May 2009)
- Mr. Chet Vathanak, representing Bokkoloek Seilanithih Co., Ltd, Member
- Dr. Jaime Aristotle B.Alip, representing CARD Inc., Member
- Mr. Ly Sovann, Meber

All Members are non-executive board members, except Mr.Kuch Setha, who holds the position of Chief Executive Officer and Mr. Chet Vathanak, who holds the position of Human Resource 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	<u>5.42%</u>	<u>5,424</u>
	<u>5.42%</u>	<u>5,424</u>

Directors' benefits

During and 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 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.

Report of the Board of Directors (continued)

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

The Board of Directors is responsible for ascertaining that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2009, and of the results of its operations 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 the apply them consistently;
- (ii) comply with Cambodian Accounting Standards and the guidelines issued by the National Bank of Cambodia 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
- (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.

On behalf of the Board of Directors



Mr. Sun Boreth
Chairman

Date: 29-04-10



Mr. Kuch Seta
Chief Executive Officer

Date: 29-04-10

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 2009, 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 57.

Management’s Responsibility for the Financial Statements

The Company’s management is responsible for the preparation and fair presentation of these financial statements in accordance with Cambodia Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant 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 discloses 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 Company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Seilanithih Limited as at 31 December 2009, and of 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.

The accompanying financial statements have been translated into United States Dollars solely for presentation purposes. We have audited the translation and, in our opinion, the financial statements expressed in Khmer Riel have been translated into United States Dollars on the basis as set forth in Note 4 to the financial statements.

For KPMG Cambodia Ltd



Craig McDonald
Audit Partner

Phnom Penh

Date: 29 APR 2010

BALANCE SHEET

As at 31 December 2009

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Assets				
Cash on hand	81,752	19,610	132,172	32,387
Deposits and placements with banks	4,719,788	1,132,115	6,626,995	1,623,865
Statutory deposits	208,450	50,000	68,384	16,757
Loans to customers	25,705,113	6,165,774	22,345,062	5,475,389
Other assets	700,364	167,993	497,015	121,788
Intangible assets	162,578	38,997	133,092	32,613
Property and equipment	568,137	136,277	397,364	97,369
Total assets	32,146,182	7,710,766	30,200,084	7,400,168
Liabilities and shareholders' equity				
Liabilities				
Deposits from customers	1,693,497	406,212	1,490,609	365,256
Borrowings	22,025,347	5,283,125	20,534,254	5,031,672
Due to shareholders	15,651	3,754	322,668	79,066
Other liabilities	1,177,212	282,373	1,060,875	58,043
Provision for income tax	378,165	90,709	236,875	58,043
Provision for provident fund and severance pay	318,329	76,356	7,332	1,796
Share subscription received In advance	-	-	2,684,001	657,682
Total liabilities	25,608,201	6,142,529	26,335,781	6,453,266
Shareholders' equity				
Share capital	4,104,268	1,000,000	1,367,680	335,134
Residual reserve	25	6	25	6
Capital reserve	18,641	4,471	18,641	4,568
Retained earnings	534,209	128,138	567,119	146,317
Subordinated debt	1,880,838	451,149	1,880,838	460,877
Translation difference	-	(15,527)	-	-
Shareholders' equity	6,537,981	1,568,237	3,864,303	946,902
Total liabilities and shareholders' equity	32,146,182	7,710,766	30,200,084	7,400,168



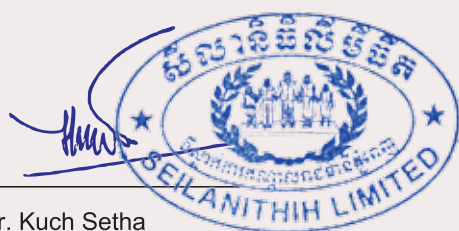
Mr. Kuch Setha
Chief Executive Officer
Date: 29-Apr-2010

Mr. Yoeurn Bunyim
Finance Director
Date : 29-Apr-2010

INCOME STATEMENT

For the year ended 31 December 2009

		2009		2008	
	KHR'000	US\$	KHR'000	US\$	
Interest income	8,662,643	2,077,871	7,494,216	1,836,367	
Interest expense	<u>(2,054,385)</u>	<u>(492,777)</u>	<u>(1,804,176)</u>	<u>(442,092)</u>	
Net interest income	6,608,258	1,585,094	5,690,040	1,294,275	
Other operating income	<u>412,720</u>	<u>98,997</u>	<u>77,592</u>	<u>19,013</u>	
Operating income	7,020,978	1,684,091	5,767,632	1,413,288	
Fee and commission expense	(120,707)	(28,953)	(207,878)	(50,938)	
Operating and other expense	5,432,788)	1,303,139)	(5,010,367)	(1,227,730)	
Allowance for bad and doubtful loans	<u>(780,175)</u>	<u>(187,137)</u>	<u>(12,913)</u>	<u>(3,164)</u>	
Profit before income tax	687,308	164,862	536,474	131,456	
Income tax expense	<u>(245,252)</u>	<u>(58,828)</u>	<u>(307,680)</u>	<u>(75,393)</u>	
Net profit for the year	<u><u>442,056</u></u>	<u><u>106,034</u></u>	<u><u>228,794</u></u>	<u><u>56,063</u></u>	



Mr. Kuch Seta
Chief Executive Officer
Date: 29-Apr-2010

Mr. Yoeurn Bunyim
Finance Director
Date : 29-Apr-2010

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

	Share Capital KHR'000	Residual reserve KHR'000	Capital reserve KHR'000	Retained earnings KHR'000	Subordinated debt KHR'000	Translation difference KHR'000	Total KHR'000
Balance as at 1 January 2008	1,367,680	26	18,641	1,008,314	1,880,838	-	4,275,498
Dividends- distribution	-	-	-	(639,989)	-	-	(639,989)
Net profit for the year	-	-	-	228,794	-	-	228,794
Balance as at 31 December 2008	1,367,680	25	18,641	597,119	1,880,838	-	3,864,303
Dividends distribution	-	-	-	(504,966)	-	-	(504,996)
Conversion of loan and amounts due to shareholders to share capital	2,736,588	-	-	-	-	-	2,736,588
Net profit for the year	4,104,268	25	18,641	534,209	1,880,838	(15,527)	1,568,237
Balance as at 31 December 2009	1,000,000	6	4,471	128,138	451,149	(15,527)	1,568,237

(US\$ equivalent)

STATEMENT OF CASH FLOWS

for the year ended 31 Decemabr 2009

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Cash flows from operating activities				
Net cash used in operating activities	<u>(2,575,816)</u>	<u>(617,850)</u>	<u>(7,193,021)</u>	<u>(1,762,564)</u>
Cash flows from investing activities				
Purchase of property and equipment	(476,960)	(114,406)	(276,143)	(67,666)
Purchase of intangible assets	(60,867)	(14,600)	(139,810)	(34,258)
Proceeds from disposals of Property and equipment	<u>3,129</u>	<u>750</u>	<u>6,748</u>	<u>1,653</u>
Net cash used in investing activities	<u>(534,698)</u>	<u>(128,256)</u>	<u>(409,205)</u>	<u>(100,271)</u>
Cash flows from financing activities				
Proceeds from borrowings	7,483,355	1,795,000	19,428,680	4,760,765
Repayments of borrowings	(5,992,262)	(1,437,338)	(7,993,922)	(1,958,815)
Receipt of share subscription received in advance	-	-	2,684,001	657,682
Dividends distribution	<u>(338,206)</u>	<u>(81,124)</u>	<u>(639,989)</u>	<u>(156,822)</u>
Net cash generated from financing activities	<u>1,152,887</u>	<u>276,538</u>	<u>13,478,770</u>	<u>3,302,810</u>
Net (decrease)/ increase in cash and cash equivalents	<u>(1,957,627)</u>	<u>(469,568)</u>	<u>5,876,544</u>	<u>1,439,975</u>
Cash and cash equivalents				
At beginning of year	6,759,167	1,656,252	882,623	220,490
Translation difference	<u>-</u>	<u>(34,959)</u>	<u>-</u>	<u>(4,213)</u>
Cash and cash equivalents at end of year	<u><u>4,801,540</u></u>	<u><u>1,151,725</u></u>	<u><u>6,759,167</u></u>	<u><u>1,656,252</u></u>
Significant non-cash transactions				
During the year, there were following significant non-cash transactions:				
Conversion of share subscription in advance to share capital	2,707,019	657,681	-	-
Conversion of amounts due to share holders to share capital	<u>29,569</u>	<u>7,184</u>	<u>-</u>	<u>-</u>

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Focus Group Discussion on Client Satisfaction



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