



Empowering Lives

# គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ ក្រេឌីត

## CREDIT Microfinance Institution



ធ្វើឲ្យជីវភាពអ្នកធារ | Empowering Lives

# Annual Report

# 2008



## Highlights of 2008

Total Asset USD20.66 million (81% increased)

Net Profit after Tax USD975,342

Loan Increased by 85%

Clients Increased by 87%

Portfolio at Risk 30+ 0.32%

Return on Equity Jumped Up to 22.41%

Avg. Loan Outstanding / Credit Officer USD122,566

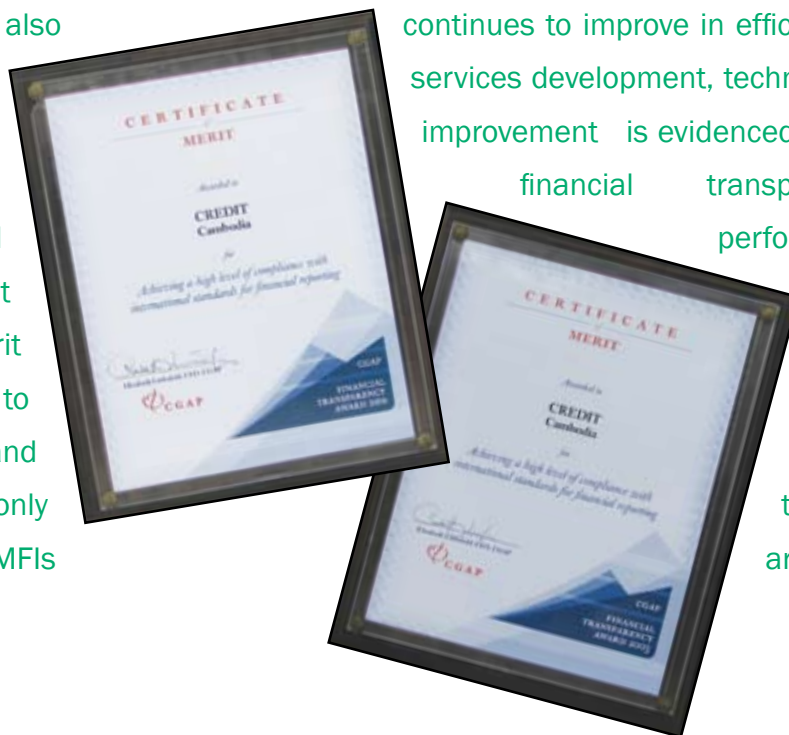
Annual Operational Self-Sufficiency Ratio 125%

Successfully Established 2 New Departments: Marketing and IT

Opened 1 New Branch and 9 Sub Branch Offices

## Awards From CGAP

Since becoming a licensed microfinance institution in May 2004, CREDIT has continued its rapid growth in terms of loans outstanding, operating areas, and number of clients, all while keeping a high quality of loan. It also continues to improve in efficiency, outreach, products and services development, technology, and staff capacity building. This localized management, outstanding financial performance, and financial transparency and performance ratios. Recognizing this great performance, Awards for CREDIT for 2005 and 2006. CGAP issued Merit financial transparency awards to a select few organizations among MFIs around the world.





# Vision

“ Economically active poor and small entrepreneurs have the opportunity to develop their livelihoods and experience full and productive lives. ”

2006  
142

2007  
247

2008  
391

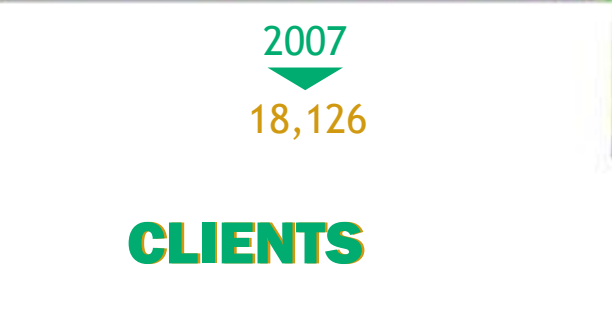
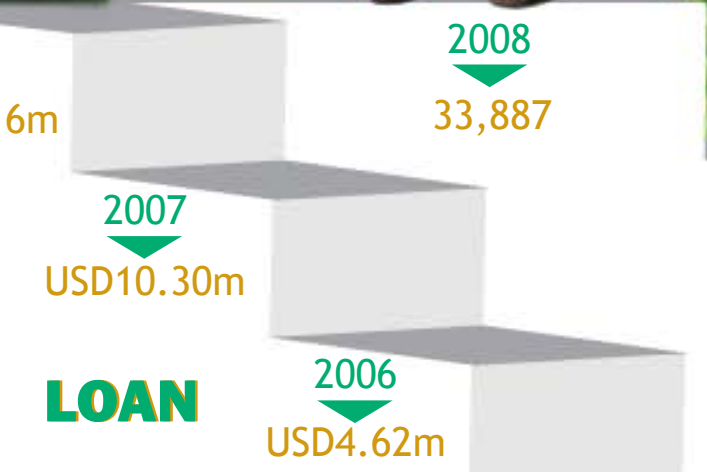
2008  
USD19.0

**STAFF**



# Mission

“ To provide inclusive financial services tailored to the clients’ needs through excellent service, and positive relationships while maintaining organizational sustainability. ”



**LOAN**

**CLIENTS**

2006  
10,796

# CONTENTS

**PAGE**

2 - 5

- Highlights of 2008
- Awards from CGAP
- Vision & Mission

**PAGE**

7 - 11

- Cambodia Economic Environment 2008
- Milestones of CREDIT
- Board Chair's Report
- General Manager's Report

**PAGE**

12 - 15

- Organization Chart
- Area of Service
- Board of Directors

**PAGE**

16 - 24

- Shareholders
- Executive Committee
- Listen to Some of Our Partners Talking about CREDIT
- Some Testimonies of CREDIT's Impact

**PAGE**

25 - 31

- Marketing Review
- Operations Review
- Human Resources Review
- Internal Audit Review
- Information Technology Review

**PAGE**

32 - 46

- Finance Review
- External Audit Report
- Notes to the Financial Statements
- Offices Network

## Cambodia Economic Environment 2008



Since 2005, Cambodia has experienced double-digit economic growth, with the exception of 2008 when growth slowed due to the global financial crisis. The sectors affected by the crisis are: Tourism, Construction and Real Estate, Textiles, and Agriculture. The number of tourists has fallen since the eruption of the crisis. The prices of land and houses fell in both urban and rural areas. The main buyers for Cambodian garments, the US and some European countries, have reduced their orders, but there are hopes that the opening of a new market in Japan will soften the impact.

The Cambodian economy still maintains a better position relative to other countries in the world, although growth is predicted to remain low for several years. Cambodia's banks remain sound and this not much concern. Moreover, the banking and financial sectors in Cambodia have not been seriously affected by the crisis because Cambodia's banks are not widely exposed to the international financial system; Cambodian commercial banks are generally dependent on domestic deposits. Furthermore,

Cambodia does not yet have a stock market, limiting its international exposure. The inflation rate was high in 2008 (21.5% during Dec 08). GDP for 2008 was USD751, and the KHR currency remained relatively stable.

Of about 14 million people, 34.7% are still living below the national poverty line, and 91% of them can be found living in rural areas. The agricultural sector employs about 80% of the workforce, and over 70% of the poor are engaged in agriculture production. Rice is the main crop in Cambodia, occupying about 90% of agricultural land. Despite this, agriculture accounts for only 26.8% of the total GDP. The services sector accounts for 38.3%, the garment industry for 15.9%, and the construction industry accounts for 6.6%. The weakening US dollar is also putting pressure on Cambodia's dollarized economy. Cambodia's growth is narrow-based and vulnerable to external shocks. The cost of doing business remains high, particularly the costs associated with electricity, transport and capital. The regulatory and legal systems need further improvement.

## Milestones of CREDIT

*" With much experience earned, we have grown very fast with good loan quality "*

CREDIT was initially a project of World Relief US established in Cambodia.

CREDIT secured the 3-year term license from the National Bank of Cambodia to be a formal microfinance institution.

1993

2004



CREDIT is providing loans to over 33,000 families through about 30 office outlets and 391 staff members. To maximize the impact on poor clients, CREDIT is working with some development partners to provide other complementary services to clients such as debt management, savings, and budgeting management. Some other primary health care trainings and awareness of HIV/AIDS have been given to clients by our NGO partners.

CREDIT received the permanent license from the National Bank of Cambodia to continuously operate as a microfinance institution.

2007

2008

## Board Chair's Report



Dear shareholders, investors, and friends of CREDIT,

On behalf of the Board of Directors and staff of CREDIT MFI, I am pleased to present to you this 2008 edition of CREDIT's Annual Report.

2008 will most certainly be remembered as one of the most challenging years in recent memory. As the global financial crisis grew in late 2008, Cambodia experienced an economic slowdown, most evident in the decrease in foreign tourists, reduced or cancelled garment industry orders, and a drop in foreign investment. These and other events impacted the microfinance industry as a whole in Cambodia.

Nevertheless, during the year CREDIT succeeded in expanding its business and focusing on its strengths. CREDIT opened one new branch and 9 sub branch offices and hired and trained 192 new staff. This was a monumental task as hiring, training, and integrating so many new staff into CREDIT's business required great planning and execution. CREDIT's management not only succeeded in this endeavor, but did so while increasing the customer base by 87% to 33,887 clients and continuing to increase the average number of loans per lending officer and increasing Net Profit by 52%. At year end 2008, CREDIT had USD19.1 million in outstanding loans, up 87% from the previous year.

By successfully providing financial services to poor entrepreneurs and expanding its financial offerings to vulnerable segments of society, CREDIT continued its strong commitment to its Christian mission enabling its clients to achieve socio-economic transformation. Senior management and staff continued their practice of regularly devoting time to pray and seek God's will for the business, staff and clients. This practice is a powerful testament to the strong foundation put in place by the founders of CREDIT.

Please join me in congratulating the CREDIT management and staff for their excellent performance during 2008. May God continue to bless and provide wisdom to CREDIT management and staff as they continue their work assisting the poor and vulnerable to access financial services and raise themselves out of poverty.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Gregg Burgess'.

**GREGG BURGESS**  
Acting Chair, Board of Directors CREDIT

## General Manager's Report

The Cambodian economy has grown quite robustly with two-digit GDP growth for the last several years, driven by growth in the textile, tourism, and construction sectors despite being affected by the global economic crisis in late 2008.

In light of recent economic developments, CREDIT still achieved great accomplishments for the year 2008:

- Captured more market share by opening 1 new branch and 9 new sub branch offices
- CREDIT's outreach increased to 33,887 clients, up from 18,273 by the end of 2007. The Portfolio increased from USD10.30M to USD19.06M while maintaining good loan quality, and the portfolio at risk over 30 days was only 0.32% with write-off only 0.12%. The total assets also increased from USD11.41M to USD20.66M with ROA 5.56% and ROE 22.41%
- To offer faster service to our clients in a competitive market and to support our strategic plan to obtain an MDI license, we are nearing completion of the decentralization of the MIS to the sub-branch level
- CREDIT has been successful in creating and testing a new product called "village banking loan product." This is a special product designed for the poorest clients, who will be provided finance-related training in addition to receiving loans. Health care training will also be provided to the clients by our NGO development partners. This project is called the Vulnerable Service Unit (VSU), and it has been supported by several donors including Tear Fund New Zealand, Tear Fund Netherlands, Erikshjalpen, and World Relief Canada. In late 2008, with support from external consultants, we found that the project has had a great impact on the lives of clients despite its short time of operation. Based on recommendations from the consultant, CREDIT plans to expand VSU into other operating areas
- Understanding the importance of capacity in supporting the growth of our business, CREDIT committed to strengthening its capacity by sending staff and management to several local and international training sessions during the year. CREDIT also supports staff education, including sponsoring bachelor and master degree fees for management staff

According to the World Bank assessment, 35% of Cambodia's population lives below the poverty line. Our Mission is to contribute to poverty alleviation; we must adjust our policies appropriately so we can continue to grow and achieve our goals while weathering the current crisis. Some following strategies will be implemented in 2009:

- Focusing on loan default; not focusing as heavily on growth, and maintaining rigorous standards for new lending to preserve our stability
- Seeking grants from different development agencies for VSU expansion and working in partnership with other NGOs to help the poor
- Seeking additional equity investment from exiting shareholders as well as from any potential investors who are able to meet CREDIT's need for more loan funding to comply with regulations
- Continuing strengthening management and staff capacity
- Continuing decentralization of MIS to sub-branch level
- Applying for an MDI license from NBC

With this opportunity, on behalf of CREDIT's management, I would like to express my sincere thanks to staff for their unflinching commitment and honesty with professionalism. I would also like to thank the shareholders, board of directors, donors, lenders, and partners that have supported us with financing and strategic guidance during the year.

Finally I would like to extend a heartfelt thanks to all of CREDIT's clients for their loyalty in continuing to use our products and services time after time.

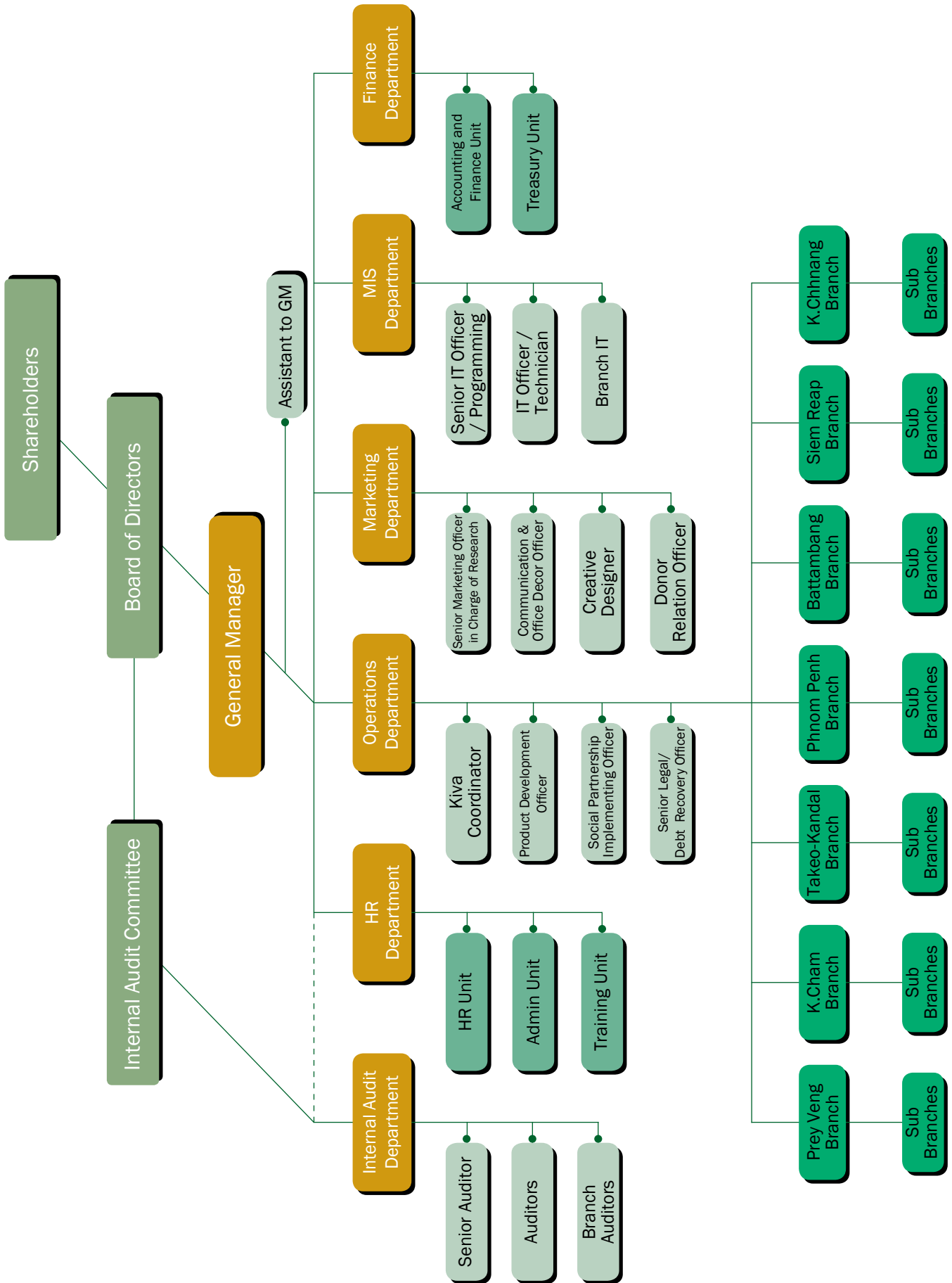


**CHAN MACH**  
General Manager



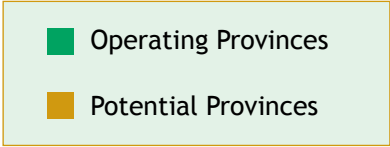
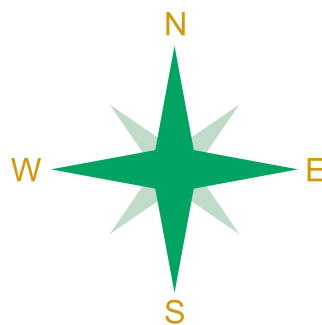
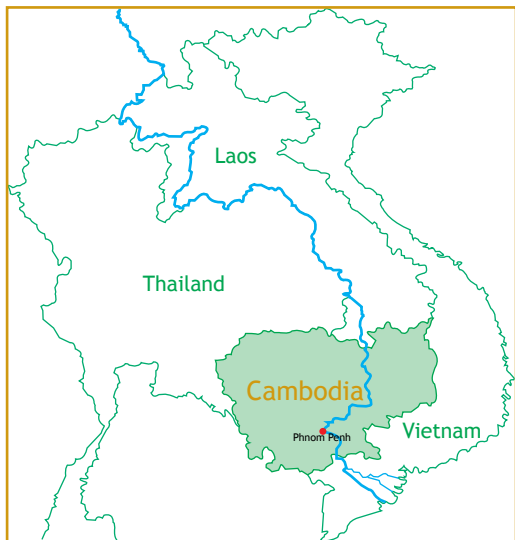


# Organization Chart





## Area of Service



## Board of Directors

### Tim Amstutz, Chairman

**Amstutz** is CREDIT's board Chairman since he joined the board in 2003. Born in 1958, he is an American who grew up in India. He has served World Relief in a variety of positions since he joined in 1987, including Legalization Director, Director of Midwest Region, Director of Education Services, Director of Immigration Services and Director of National Immigration Resource Network. Since 2001 he has also served as the Country Director of World Relief to Cambodia and as the Asia Director. For the last 20 years he has specialized in management and has attended and spoken at many courses on Management, Micro-Credit, Finance, and Banking in Europe and the US.



### Gregg Burgess, Board Member



**GREGG** is a consultant and the former Cambodia Country Director of World Hope International. Before his time at World Hope, he was the Managing Director of Hagar Soya Co. Ltd. Gregg also has extensive business and project management experience in other fields.

### Sreyhem Roberts, Board Member



**Sreyhem** is Country Representative for Partners Worldwide, a Christian Reformed Ministry organization that aims to encourage and strengthen small Christian businesses in Cambodia. Sreyhem has 18 years of experience in accounting, administration, human resources management, business development, and project management. As an entrepreneur, she has helped start up a micro-finance institution focused on housing loans to enable low-income Cambodians to purchase their first homes. As a Cambodian/Canadian citizen, Sreyhem is able to combine Western and Asian perspectives in her work on the CREDIT Board.

### Ing Varony, Board Member



**Varony** is a Cambodian national with 9 years of experience working with NGOs and microfinance institutions in Cambodia. Prior to that she worked in some World Bank programs and has 6 years work experience with the Cambodian government where she helped in developing the manufacturing sector.

## Board of Directors

### Tea Chansotheary, Board Member



**Sotheary** has been involved in microfinance in Cambodia for more than 15 years. She has served at nearly every level from Trainer, Finance Director, Operation Director, Program Manager of CREDIT, and the Co-Executive Director of Cambodia Community Building. She also has served in various roles for Hagar for over two years.

She has done consulting work in development and microfinance in Cambodia and internationally for organizations such as PACT, JICA, UNDP, World Vision, and World Relief.

Currently Sotheary serves part-time as the Country Program Manager of The Ratanak Foundation, based in Vancouver, Canada. She also continues her work as a freelance consultant.

Sotheary is a Cambodian national who obtained her Bachelor's of Science degree in Chemistry in 1992 at Cambodian-Russian Institute of Technology and her Pre-Master's of Business Administration at the Economics and Finance Institute, Phnom Penh, Cambodia.

### William M. Toannon, Board Member



An American, born in 1959, **Toannon** joined the CREDIT board in May, 2007. He has been the Director of Micro enterprise Development at World Relief Corporation since 2005. He was promoted to Director of Finance and Micro enterprise Capitalization in September 2007.




Between 2002 and 2005, he was a Pastor of Administration and Outreach for Bethany Community Church, Tempe, AZ. Prior to that Toannon had 16 years of commercial banking experience including positions as a V.P. Relationship Manager for Bank One Arizona; V.P. Manager, Private Bank Officer, and Commercial Loan Officer for Chase Bank of Arizona; and A.V.P. Commercial Loan Officer, Credit Analyst and Corporate Credit Trainee for Valley National Bank.

Toannon is a versatile financial service professional with 25 years of experience increasing existing relationships and developing new businesses. He has successfully implemented strategic plans for businesses and non-profit organizations. He has also demonstrated ability to cross-sell bank credit and deposit services, exceeding sales and fund raising goals. Job assignments have demanded strong communication, analytical, organizational and leadership skills to effectively interact with business owners, senior bank management, affluent community leaders and volunteers.

Toannon obtained a BS in Finance & Economics at Illinois State University, Normal, IL in 1982.

## Shareholders

The company has three shareholders:

World Relief US	77%	
World Relief Canada	17%	
World Hope International	6%	

## Executive Committee

<b>Chan Mach, General Manager</b>	
Education	Experience
<ul style="list-style-type: none"> <li>- Bachelor in Mathematic</li> <li>- One MBA, pursuing MFB</li> </ul>	<ul style="list-style-type: none"> <li>- Math Teaching</li> <li>- 13 years of experience with 10 years in MFI in Audit and Training as well as Branch and Operations Management</li> </ul>
<b>Po Yort, Operations Manager</b>	
Education	Experience
<ul style="list-style-type: none"> <li>- Bachelor in Accounting and Finance</li> <li>- MBA in Management</li> </ul>	<ul style="list-style-type: none"> <li>- About 10 years of experience in Accounting, Admin, Staff Teaching and Development, Human Resources, and Operations Management</li> </ul>
<b>Soung Eng Chhay, Internal Audit Manager</b>	
Education	Experience
<ul style="list-style-type: none"> <li>- BBA in Management</li> <li>- MBA in Management</li> </ul>	<ul style="list-style-type: none"> <li>- 13 years of experience with MFI in Accounting, Branch Management and Audit</li> </ul>
<b>Him Vibol, Finance Manager</b>	
Education	Experience
<ul style="list-style-type: none"> <li>- Bachelor in Economics</li> <li>- MBA in Finance and Accounting</li> </ul>	<ul style="list-style-type: none"> <li>- Over 6 years of experience with MFI in Audit, Accounting and Finance Management</li> </ul>



## Executive Committee

<b>Huy Bunhuot, Human Resources Manager</b>	
<b>Education</b>	<b>Experience</b>
<ul style="list-style-type: none"> <li>- 2 Bachelors: in Law and in Education</li> <li>- Master in Development Management</li> </ul>	<ul style="list-style-type: none"> <li>- 9 years of experience with MFI in Admin and Human Resource Management</li> </ul>
<b>Heang Kim, Marketing and Partnership Relation Manager</b>	
<b>Education</b>	<b>Experience</b>
<ul style="list-style-type: none"> <li>- BBA in Marketing</li> <li>- MBA in Management</li> </ul>	<ul style="list-style-type: none"> <li>- Over 6 years of experience with MFI including work in Marketing and Research Management, Fund Mobilization and Partnership Relation</li> </ul>
<b>Sok Kimchhay, IT Manager</b>	
<b>Education</b>	<b>Experience</b>
<ul style="list-style-type: none"> <li>- Bachelor in Computer Science</li> <li>- Pursuing a Certified Accounting Technician (CAT) from UK</li> </ul>	<ul style="list-style-type: none"> <li>- 5 years of experience in IT Management with MFI</li> </ul>
<b>Sao Ra, Branch Manager</b>	
<b>Education</b>	<b>Experience</b>
<ul style="list-style-type: none"> <li>- Bachelor of Science in Agronomy</li> <li>- MBA in Finance and Banking</li> </ul>	<ul style="list-style-type: none"> <li>- 5 years of experience in Community Development and about 9 years with MFI in Branch Management</li> </ul>
<b>San Houth, Branch Manager</b>	
<b>Education</b>	<b>Experience</b>
<ul style="list-style-type: none"> <li>- BBA in Management</li> <li>- MBA in Finance and Banking</li> </ul>	<ul style="list-style-type: none"> <li>- About 9 years of experience with MFI in Micro Credit Lending, Sub Branch and Branch Management</li> </ul>
<b>Tun Vibol, Branch Manager</b>	
<b>Education</b>	<b>Experience</b>
<ul style="list-style-type: none"> <li>- BBA in Management</li> <li>- Master in Management</li> </ul>	<ul style="list-style-type: none"> <li>- 12 years of experience with 6 years in MFI in Branch Management</li> </ul>
<b>Rom Vanara, Branch Manager</b>	
<b>Education</b>	<b>Experience</b>
<ul style="list-style-type: none"> <li>- High Deploma of Accounting &amp; Finance</li> <li>- Bachelor in English</li> <li>- MBA in Finance and Banking</li> </ul>	<ul style="list-style-type: none"> <li>- Over 8 years of experience with MFI in Micro Credit Lending and Branch Management</li> </ul>
<b>Keo Sarorn, Branch Manager</b>	
<b>Education</b>	<b>Experience</b>
<ul style="list-style-type: none"> <li>- Association Degree in Management</li> <li>- BBA in Management</li> </ul>	<ul style="list-style-type: none"> <li>- 13 years of experience with MFI in Micro Credit Lending and Branch Management</li> </ul>

## Executive Committee

<b>Tek Kongkear, Branch Manager</b>	
Education	Experience
<ul style="list-style-type: none"> <li>- Pedagogy in Khmer</li> <li>- BBA in Management</li> </ul>	<ul style="list-style-type: none"> <li>- 13 years of experience with MFI in Micro Credit Lending, Sub Branch and Branch Management</li> </ul>
<b>Heang Kimsreang, Branch Manager</b>	
Education	Experience
<ul style="list-style-type: none"> <li>- BBA in Accounting</li> <li>- MBA in Finance and Banking</li> </ul>	<ul style="list-style-type: none"> <li>- About 7 years of experience with MFI in Micro Credit Lending, Sub Branch and Branch Management</li> </ul>
<b>Hay Vanhom, Deputy Finance Manager</b>	
Education	Experience
<ul style="list-style-type: none"> <li>- Bachelor in Accounting</li> <li>- Master in Auditing</li> </ul>	<ul style="list-style-type: none"> <li>- About 7 years of experience with MFI in Bookkeeping, Audit, Accounting and Finance Management</li> </ul>



### FROM LEFT TO RIGHT

*Kheng Polin , Yos Veasna, Chao Sopheak Socheata, Hay Vanhom, Sok Kimchhay, Him Vibol, Heang Kim, Huy Heang Kimsreang, Rom Vanara*

## Executive Committee

<b>Yos Veasna, Training Unit Manager</b>	
<b>Education</b>	<b>Experience</b>
<ul style="list-style-type: none"> <li>- BBA in Finance and Banking</li> <li>- MBA in Financial Management</li> </ul>	<ul style="list-style-type: none"> <li>- About 5 years of experience with MFI in Audit, VSU Management, and Training</li> </ul>
<b>Chao Sopheak Socheata, Accounting and Finance Unit Manager</b>	
<b>Education</b>	<b>Experience</b>
<ul style="list-style-type: none"> <li>- Bachelor in Chemistry</li> <li>- BBA in Accounting</li> </ul>	<ul style="list-style-type: none"> <li>- About 10 years of experience with MFI in Cash Management, Accounting and Finance Management</li> </ul>
<b>Kheng Polin, Human Resources Unit Manager</b>	
<b>Education</b>	<b>Experience</b>
<ul style="list-style-type: none"> <li>- BBA in Management</li> </ul>	<ul style="list-style-type: none"> <li>- About 8 years of experience with 4 years at an NGO in Sponsorship Administration, Correspondence Analys, Correspondence and Gift Notification, and Human Resources Coordination</li> </ul>



*Bunhuot, Song Eng Chhay, Chan Mach, Po Yort, Keo Sarorn, Tun Vibol, San Houth, Sao Ra, Tek Kongkear,*

## Listen to Some of Our Partners Talking about CREDIT

The partnership, HOPE and CREDIT / Vulnerable Services Unit (VSU)<sup>1</sup> provides beneficiaries a great opportunity to improve their standard of living through financial loan and other necessary trainings: Saving, Debt and Budget Management, and HIV/AIDS and other health education lessons. Our monthly partnership meeting and the existing hope network at the community level is very critical for strengthening and expansion of our partnership.



**Touch Sophal**  
*Hope Project Manager, Kg Cham  
 World Relief Cambodia*

The integration between SPY and CREDIT / VSU programs brings more services into the community even much better and faster than expectation. The data shows community banks are being developed and the significant improvement between the two programs, SPY and CREDIT / VSU strengthen each other as well as improve community living status and lead to change.



**Oun Sivan**  
*Project Director,  
 Sokapheap Phum Yoeung (SPY)  
 Project,  
 World Relief Cambodia*

CREDIT is an exceptional MFI. It has raised over USD3 million dollars from thousands of social investors via the internet – making it the number one MFI on Kiva in terms of total loans raised. CREDIT is an early innovator and pioneer and Kiva is proud to support and highlight the great work of CREDIT.

**Premal Shah**  
*President  
 Kiva*



We are pleased to support CREDIT CAMBODIA / VSU Project. Aspiring to become more relevant to the specific realities of poorer individuals and groups is indeed a very worthy venture. I am certain of your team's wealth of learning even at this early stage of project implementation.

**Thelma Cruz**  
*NZ-Programmes Officer  
 Tear Fund New Zealand*



(1) The Vulnerable Service Unit (VSU) was established based on the belief that aside from the provision of financial services, there is also a need for the provision of non financial services to the vulnerable groups to help them get out of the poverty cycle. VSU is therefore designed to provide both financial and non financial services using integrated and holistic approach through strategic partnership with existing organizations i.e. World Relief Cambodia and other non financial institution that will be identified through the implementation.



## Listen to Some of Our Partners Talking about CREDIT

PlaNIS has been very happy to participate to the harmonious and Dynamic development of CREDIT in 2008, laying the ground for a long term and fruitful partnership . We hope this Partnership to develop significantly in the next future.



**Cyrille PARANT**  
*Chief Executive Officer*

Erikshjälpen appreciates the partnership with CREDIT / VSU and is full of expectation about the newly started project of VSU.



**Marianne Stattin Lundin**  
*Desk Officer, Asia  
Erikshjalpen*

Tear is very much impressed with the VSU project as it proves that working with the so called non-bankables is possible and encouraging to invest in. CREDIT has proven in the 1<sup>st</sup> year that it is possible with some extra effort to provide a message of hope for the poorest of the poor.



**Jaap Boersma**  
*Program Officer  
Tear Neatherland*

My impression of being a partner of CREDIT is the healthy corporation, the compliance of the MOU and the flexibility. These have been maintained exceptionally well and all parties have a high understanding of the roles and responsibilities that each party is supposed to undertake. I noticed that despite of the MOU, CREDIT provided flexibility that enable Hagar to satisfy its staff's needs. On behalf of Hagar staff I really appreciate this gesture.

Hagar staff has received a great deal of benefit from this program as it has been able to solve most of Hagar staff's financial difficulties. It has eliminated all debts of some staff who used be sustained as result of Tong Tin practice. Through partnership with CREDIT our staff has learned how credit has worked to improve their lives. Honestly, on behalf of Hagar and Hagar staff, I would like to express my heart-felt thanks to CREDIT for its healthy cooperation, flexibility and services.



**Kim Yoeum**  
*HR Manager  
Hagar*

## Listen to Some of Our Partners Talking about CREDIT

“ I have been working for CREDIT for more than 9 years in different positions: CO, Team Leader, and, since 2003, Branch Manager. At CREDIT, I have grown both professionally and personally. I am very happy to work here and will continue to give my best effort to serve our clients. ”



**San Huoth**  
*CREDIT Branch Manager,  
Kampong Chhnang Province*

“ I have been working with CREDIT for over 12 years. Because of my diligence and commitment to CREDIT, I was promoted from a Credit Officer to a Head Credit Officer, and am now a Sub Branch Manager. I am very enthusiastic about the working environment at CREDIT. My co-workers are helpful, friendly, and respectful. As a CREDIT staff, I would love to see all its operations grow; in particular, I would like to see it achieves its yearly master plan and become a leading institution among MFIs in Cambodia.”



**Penn Vanny**  
*CREDIT Sub Branch Manager,  
Ta Khmao, Kandal Prvince*

## Some Testimonies of CREDIT's Impact



*Chun is repairing bikes at his shop*

In a simple shop with some old bikes in Srogne village of Siem Reap province, **Mr.Chun**, 35, repairs bikes. **Chun** says that he usually buys old or broken bikes, then repairs and sells them back to people in the village. It is a very good business that allows him to earn a daily income of about 40,000Riel (USD10). **Chun** is very well known for his skill in repairing many different types of machines, including motors, bikes, generators, etc., and people usually come to him when they need help. **Chun** started this business for about 2 years after quitting a small construction trade that was slow to generate income. Chun's wife, **Mrs. Chhin Vita**, 24, sells some food such as noodles and coffee next to his shop. The couple is very mutually supportive and committed to improving their family's standard of living. **Vita** said she has 3 children aged 9 (girl), 5, and 3 (boys). She has been running her shop for about 8 months – ever since the couple decided it would be a good idea because it would be

accessible by three key roads in the village.

**Vita** set up this business after she received her first loan from CREDIT for USD500. She used a second loan of USD1,700 to buy goods for her shop. She says that her income has decreased significantly as of late, possible because of the global financial crisis. She earns around USD12.50 per day compared to USD50-USD60 before the crisis began. She is hopeful that the business will soon return to its former profitability.

“ I would like to thank CREDIT for the loans. They helped us during the crisis. We will apply for another loan, about USD2,000, to buy more spare parts for the repair shop.” **Vita** said “I also usually help promote CREDIT to other people by telling them the phone numbers of CREDIT's staff so that they can get loans from CREDIT. ”



*Vita is serving client with her coffee glass*

## Some Testimonies of CREDIT's Impact



*Theany and the husband talking with our staff in her tailor shop*

**Mrs. Sreng Theany**, 38 years old, is married and has two school-aged children. **Theany** has worked as an independent tailor since 2000, when she first moved from her hometown in Kampong Cham to live with her husband in Prey Veng. Because she lacked capital, **Theany** decided to take out a loan from CREDIT to start her business. **Theany** is one of CREDIT's many successful clients, and always makes her payments on time. Based on her excellent repayment history, CREDIT has provided her with increasingly large loans. She began with a USD250 loan, then took USD375, and finally USD800. She used the money to buy sewing machines, thread, a

machine to make sugar cane juice, and a motorbike to transport goods.

**Theany** learned to be a tailor at a technical center near her house in Kampong Cham. It took her about one year to learn clothing design, then another four months to learn more complicated, current styles. Her husband also received training, and is now a tailor as well. Her clients primarily consist of people in the nearby community.

**Theany** told us: "Customers come to me with clothes that they bought in markets or in stores, and I tailor them to fit their design and sizing needs." She typically earns around KHR15,000 (USD4) to KHR20,000 (USD5) per day, but during the dry season, she can earn additional income from her sugarcane juice business because many people want to drink something cold and sweet when it is hot.

In the future, **Theany** and her husband hope to take another loan from CREDIT so they can open a beauty salon because they think they can make more money. The couple is thankful to CREDIT for providing financial support so they can improve their businesses, and therefore, their standard of living is getting better.



## Marketing Review



CREDIT has grown rapidly in the past few years, and established marketing department in late 2008. The marketing department plays critical roles in the business operations of CREDIT, which operates in a highly competitive environment. There are 3 main areas that the marketing department covers :

### Research and Development

The department researches and provides useful information and initiatives in a timely and realistic manner to help CREDIT management in decision making, particularly those concerning new product development, product modification, coverage area expansion, and project evaluation. The department gathers information through a variety of research projects conducted with clients and staff, and collects some information from other microfinance institutions and banks, both inside and outside the country. Led by the operations manager, the product development team consists of relevant staff from all departments. The team is responsible for collecting updated information from clients, staff, and competitors, and then analyzing and making recommendations to the Senior Management Team. Designing new initiatives, products, and services based on research on banks and MFIs around the world is one of the key roles of this team.

### Brand Promotion and Customer Service

The department is also responsible for CREDIT brand development and promotion to all stakeholders to make sure that the CREDIT brand is nationally and internationally well-recognized. As CREDIT seeks to become a micro deposit taking institution (MDI), this function will further increase in importance as trust from the public will be critical. Offices will be standardized to make sure that clients can easily recognize and find CREDIT offices to get the served. Customer service training has been provided to appropriate staff members to ensure that they present a unified image of CREDIT, and that they are professional and courteous when dealing with clients. Direct marketing has also been conducted by a team targeting residents living around CREDIT offices.

### Partner Relation

Another role of the department is concerning to the development of current and future partnerships. This team is responsible for working with local and international development partners to make sure that they maintain a good relationship with CREDIT to maximize the impact of the complementary services and training provided by our partners. One full-time staff member has been assigned to this position.

## Operations Review



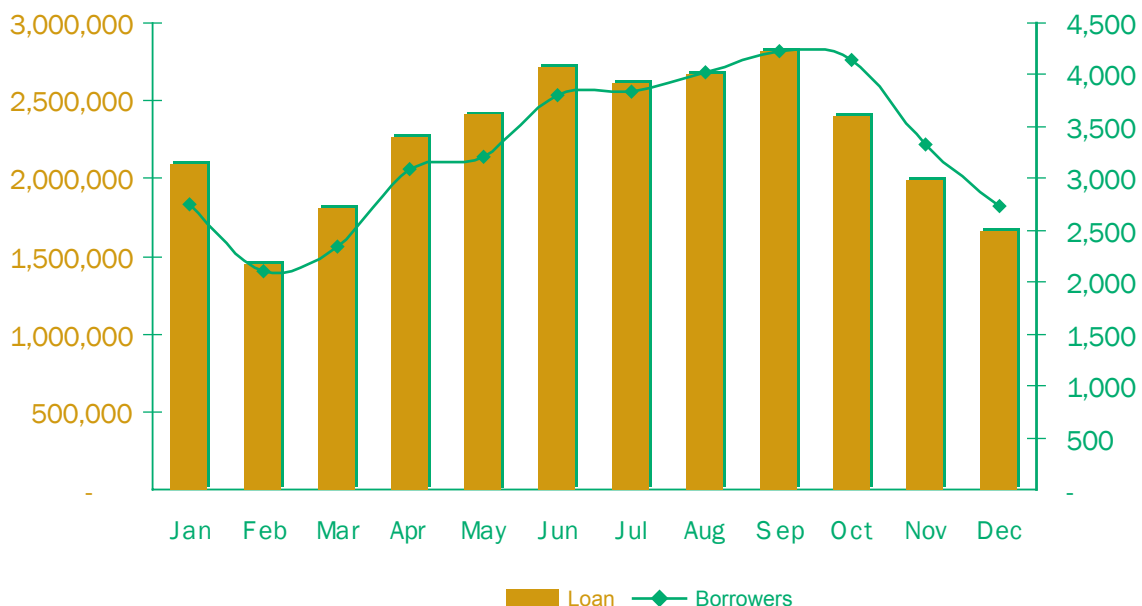
2008 was a year of rapid expansion of CREDIT's extensive branch, sub branch, and service unit network. By the end of the year, CREDIT operates with 7 branch offices in 9 provinces, 27 sub-branch offices and 3 Unit offices, located in 67 districts, 421 communes and 1,686 villages.

It was also a challenging year for CREDIT's operations because we have begun decentralization of the MIS to the sub branch level. In total, 20 out of 27 sub-branch offices have been equipped with the computer system, Kredits. Through our decentralization strategy, we have moved closer to serving our clients better. CREDIT also has restructured sub branches to cope

with these changes and as a result, new positions such as Head Teller were created. With these new changes, operations have improved significantly.

2008 was a remarkable year of growth for CREDIT in terms of loans outstanding and clients. At year end, the CREDIT loan portfolio reached USD19.1 million and 33,887 clients, increasing 85% and 87% respectively from the previous year. Amidst intensifying market competition, CREDIT maintained its commitment to its clients by developing new products, improving existing products and services, and utilizing innovative solutions to enhance operational efficiency.

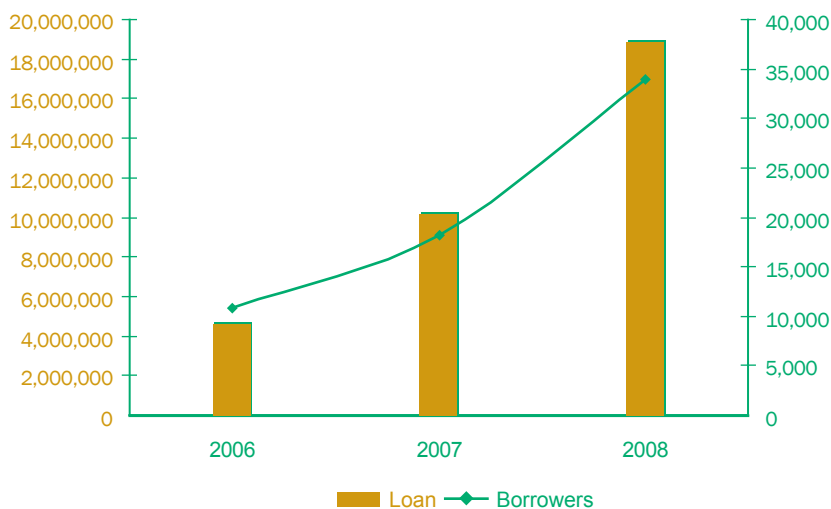
Trend of Disbursement During 2008





# Operations Review

## Evolution of Loan Outstanding and Clients

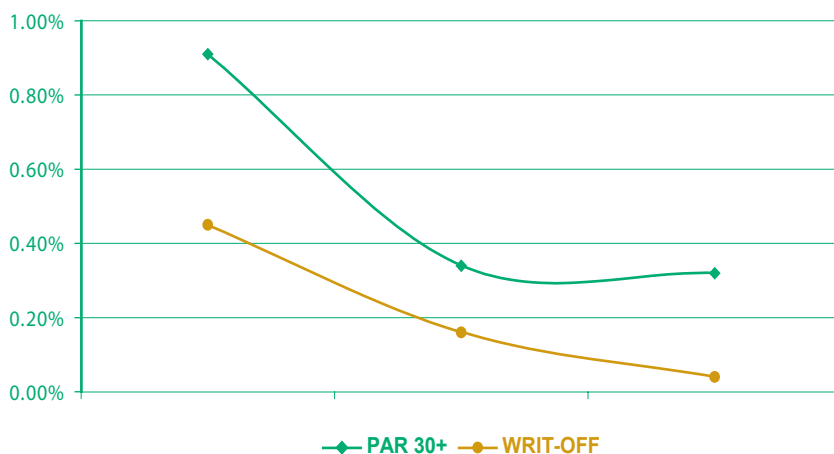


## Loan Quality Structure

2008 loan quality result show that, CREDIT's Portfolio at Risk 30+ (PAR30+) and write off also further decreased even though some major Cambodia economic sectors were affected by global crisis such

as tourism, garment, construction and agriculture product. We still maintain high level of loan portfolio quality. CREDIT's success was due to staff and management's strong commitment to developing good relationships both inside and outside of the company

## Trend of Portfolio Quality



## Staff Productivity and Workload

The average clients per Credit Officer (CO) increased by 12.13%, while loan outstanding per CO increased 8.27%. The average clients and loan outstanding per front line staff which includes CO, Office Teller and Field Teller were increased by 13% similarly.

Therefore, the average of CREDIT's staff to client and portfolio also increased. This increasing due to staff commitment, decentralization on computerization, updating and improvement of the product procedure and guideline, and also because of some new more recruited staff; mainly CO and tellers during the year.

# Operations Review

## Staff Productivity

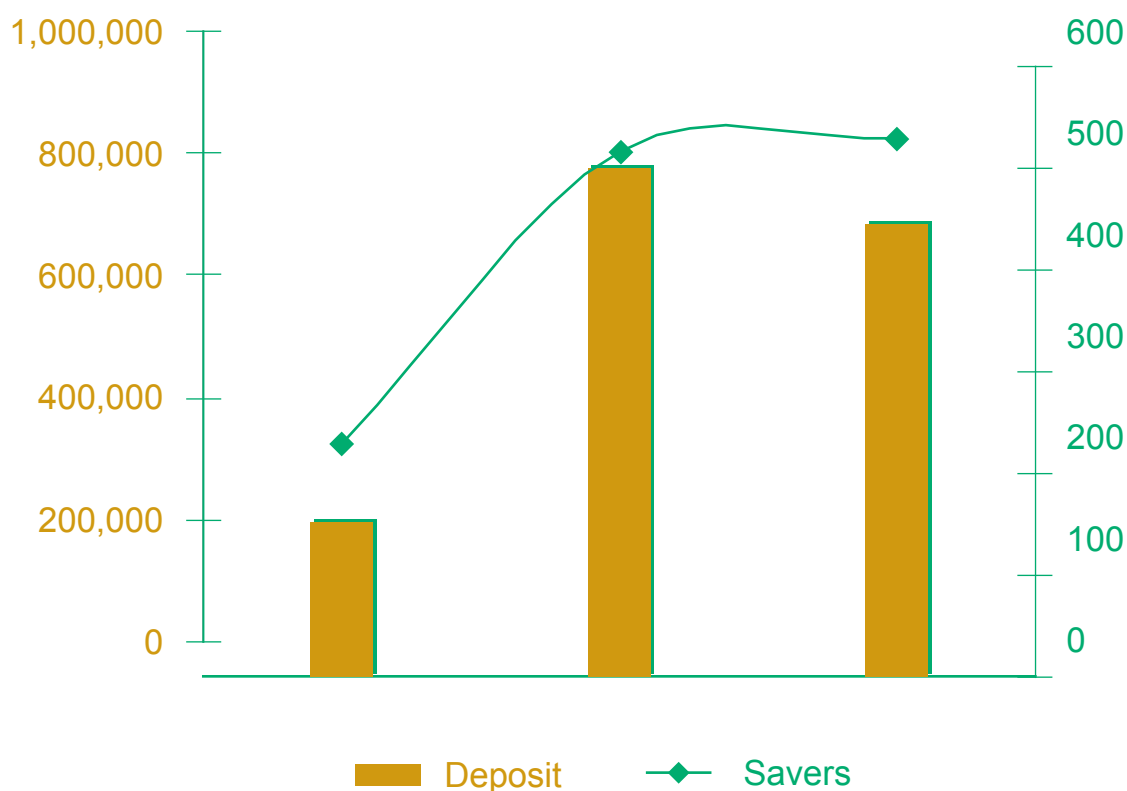
Indicators	2008	2007	2006
Number of Loans Per CO	220	206	196
Loan Portfolio per CO (in USD)	122,566	117,085	84,036
Number of Loans per Frontline Staff	170	150	285
Loan Portfolio per Frontline Staff	92,965	82,605	117,347
Number of Loans per Staff	91	84	79
Loan Portfolio per Staff	49,930	47,923	33,737

## Savings Achievement

In 2008, the total number of savings, deposit and corporate account holders in CREDIT remained about constant, while the dollar amount of deposits

decreased by 27.47% to USD863,483, a result of CREDIT's implementation of the National Bank of Cambodia's policies required for obtaining a micro deposit-taking institution (MDI) license.

## Trends of Savers and Savings Values



## Human Resources Review



### Staff Evolution

Finding, hiring and keeping good employees are the key success of CREDIT.

Year	2007	2008
Turnover	2.7%	5%
Recruitment	83	192
Total Staff	247	391

### Staff Capacity Building and Development

To support the growth of CREDIT, staff capacity building and staff development are critical tools that need to be continuously improved. With strong support from Shareholders and Senior Management, CREDIT has set aside a budget specifically for training to build staff capacity and to strengthen the institution. CREDIT plans to hire an experienced consultant to build the capacity of the training unit,

select training pools among CREDIT staff, conduct institution curriculum design, and perform a Training Needs Assessment (TNA) for all staff. 2008 marks the introduction of CREDIT's support scholarship of 50% to middle management staff pursuing long-term degrees.

Based on the training budget, the following percentages of CREDIT staff have attended the trainings below:

N°	Name of Training Course	% of Staff Attended	Funded by
1	Short Courses	46%	CREDIT
2	English Courses	42%	
3	Long Term Degree	12%	

### Staff Promotion

CREDIT strongly believes that promoting outstanding and committed employees to higher positions will motivate them and others to strive and improve. Promotion is the best way to retain outstanding staff. In 2008, 68 employees were promoted to higher positions within CREDIT.

at the middle of 2008. This revision is based on the high inflation rates noted by surveys conducted by various parties, including CREDIT.

### Salary Review

To make CREDIT's remuneration more competitive in the general marketplace as well as the microfinance industry, and to support productivity growth, staff salary was reviewed and adjusted upwards by 15%

### Incentive Review

To help CREDIT's products grow rapidly, and to motivate staff and increase the quality of their work, CREDIT introduced an updated incentive scheme. The new incentive system is particularly focused on previously neglected staff members including credit officers and sub-branch managers.

## Internal Audit Review



Internal Audit provides independent assurance that the design and operation of the risk and control framework across the institution is effective. It operates under a Charter from the Audit Committee that gives it unrestricted access to review all activities of the organization. The Audit Committee reviews the performance of the Internal Audit. A risk-based audit approach is used to ensure that the higher risk activities in each business are audited each year. All audits are conducted in a manner that conforms to the auditing standards.

The Internal Audit Department is aimed to assist the organization in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, governance processes, and internal control, as CARES concept:

- Compliance with regulations, procedures, and guidelines
- Accomplishment of CREDIT's goals and objectives
- Reliable and accurate information/data
- Economical and efficient use of resources
- Safeguard assets

The Audit Committee consist of the following professionals:

- Ms. Sotheary Luchtenburg, Chairman
- Mr. Chan Mach, Member
- Mr. Soung Engchhay, Member

Internal Audit plays an active role in ensuring compliance with the requirements of supervisory regulatory authorities. Internal Audit also works collaboratively with the external auditor to ensure a comprehensive audit scope.

The Internal Audit Department has carried out a methodology of the regular and unscheduled assessments for conducting audits which are all unannounced to the branch or department concerned. The Department has upgraded the design of its audit reports aimed at providing more detailed management information as well as to give necessary advice to related branch managers and staff.

The Internal Audit Department expanded its capacity during 2008 to accommodate the organization's rapid growth and added expertise to ensure qualified audit capabilities. The Audit team ended 2008 with 8 full time staff including a newly created position of Branch Internal Auditor.

The Internal Audit Department conducted 50 assessments during the year, six of which were carried out as per branch managers' request for clarification purposes. Moreover, the results of the audit activities throughout the year showed notable achievement and a heartiest effort from all branches to decrease the number of errors. The results also revealed the staff's strong commitment and efficiency to comply with the CREDIT's policies and procedures.

Year 2008 was devoted to further develop the internal audit team skills through the provision of various audit training related to microfinance practices. Continuous audit training courses shall be provided in 2009 to ensure that auditors would be equipped with updated audit knowledge and skills to effectively monitor CREDIT's activities in the future.

## Information Technology Review



The IT Department was established in 2008, created from the former IT unit in the Finance Department. It focuses on supporting staff, investigating the new technologies, and identifying and addressing “at-risk” issue. The IT Department continues to be committed to maintaining and improving its existing management information system (MIS), as well as relevant policies and procedures. It is also a first step in improving in our controls of management information technology to standardize in the organization.

The achievements over the last year include:

- Credits Decentralization to the sub branch level to increase the effectiveness and efficiency of our services and internal control
- Delivery of over 10 Credits system training courses
- Completion of creating the standard workflow of Credits system
- Reformatting of the existing forms and documentations for the better control
- Implementation of the new password rules in MIS System, and
- Strengthening the monitoring of servers, security, and databases

The IT Department continuously ensures the IT policy is complied through monitoring and controlling.

## Finance Review



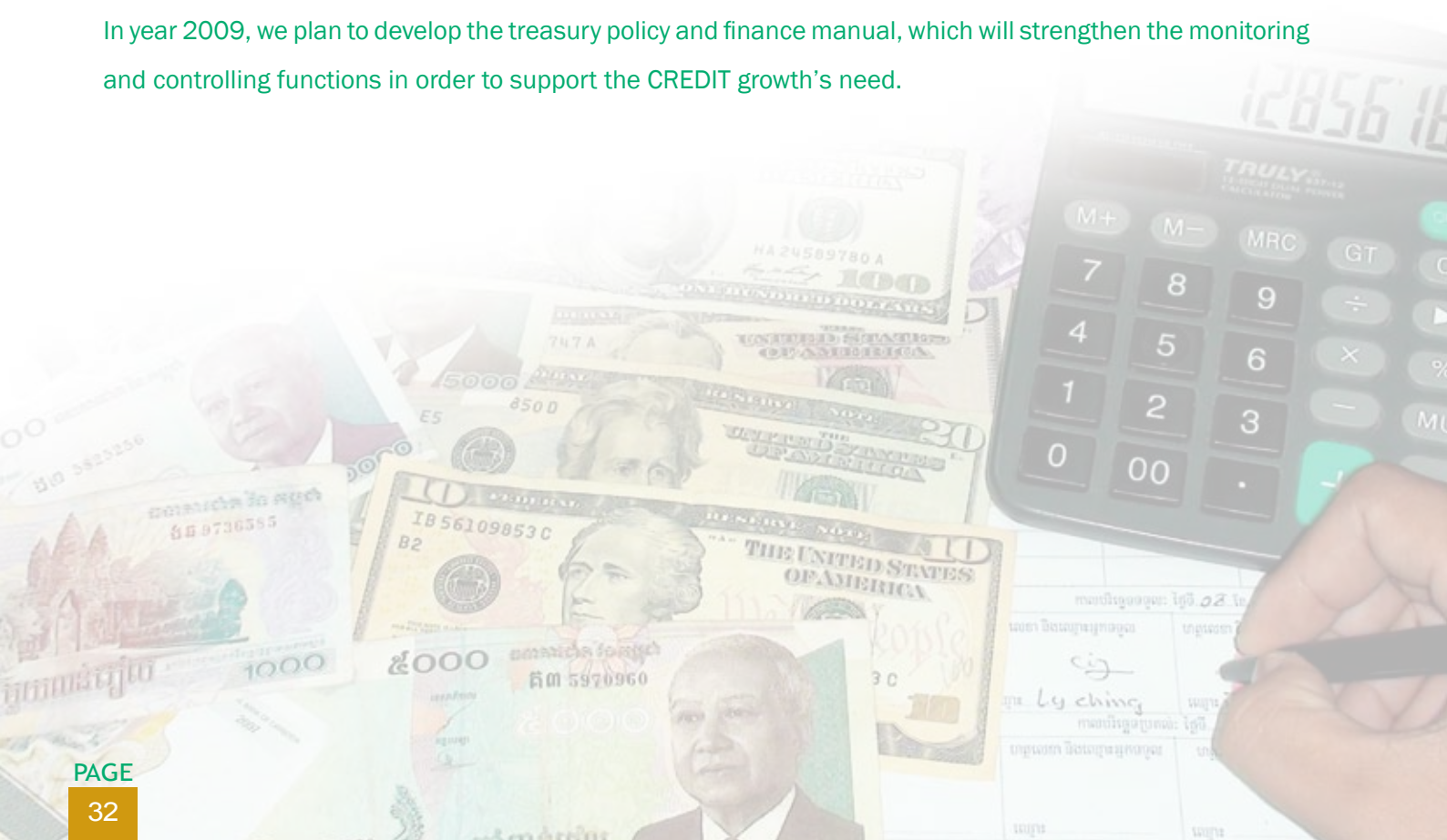
Finance Department plays a vital role in managing CREDIT's finance as a whole, which is further subdivided into two units: Accounting and Finance Unit and Treasury Unit.

In order to manage the finance effectively and efficiently, the department sets its own goals as follows:

- Provide an accurate and on-time financial reports for decision making
- Provide all kinds of financial reports required by the stakeholders
- Provide the recommendations through analyzing the performance indicator
- Ensure the strong internal control system has been set up within the finance workflow
- Meet the requirements from of National Bank of Cambodia and Tax Department
- Assist the External Auditor to produce the fair and transparent financial reports

2008 is the remarkable year for Finance Department because we best achieved the above goals and also successfully implemented the changing of the new chart of account, which was required by National Bank of Cambodia. Furthermore, we also launched the back-up training within the department, allowing us to have the successor in the finance team.

In year 2009, we plan to develop the treasury policy and finance manual, which will strengthen the monitoring and controlling functions in order to support the CREDIT growth's need.





# External Audit Report



**គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ ក្រេឌីត**  
CREDIT MICROFINANCE INSTITUTION

ធ្វើឱ្យជីវភាពល្អឡើងវិញ

## Report of the Board of Directors

The Board of Directors has pleasure in submitting their report together with the audited financial statements of CREDIT Limited ("the Company" or "CREDIT") for the year ended 31 December 2008.

### Principal activity

The Company's principal activity is to provide credit to local customers through its Head Office in Phnom Penh and various provincial and district offices in the Kingdom of Cambodia.

### Financial results

The financial results of the Company for the year ended 31 December 2008 were as follows:

	US\$
Profit before income tax	1,183,517
Income tax expense	(208,175)
Net profit for the year	<u>975,342</u>

### 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 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.

ការិយាល័យមេកណ្តាល: ផ្ទះ ១៨ ផ្លូវ ៤២២ ទន្លេតូលេបាសាក់ ចំការមន  
រាជធានីភ្នំពេញ ប្រអប់សំបុត្រលេខ ១២៦  
ទូរស័ព្ទ/ទូរសារ : (៨៥៥) ២៣ ២១៧ ៩៤២  
Email : info@credit.com.kh

Head Office : House # 18, Street 422, Tonle Basac  
Chamkarmorn, Phnom Penh P.O Box 126  
Phone/ Fax : (855) 23 217 942 1  
Website : www.credit.com.kh

## External Audit Report

### **CREDIT Limited**

#### **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.

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.

#### **Share capital**

On 28 August 2008, the shareholders of CREDIT Limited approved to increase the paid-up share capital from KHR2,000,000,000 to KHR3,000,000,000. The total authorised share is 15,000 shares (31 December 2007: 1,000 shares) with a par value of KHR200,000 per share.

#### **Significant events**

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



# External Audit Report

## **CREDIT Limited**

### **The Board of Directors**

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

- Mr. Timothy Mark Amstutz, Chairman
- Mr. Greg Burgess, Member
- Ms. Srey Hem Roberts, Member
- Ms. Ing Varony, Member
- Mr. William Michael Toannon, Member (Appointed on 24 July 2008)
- Ms. Tea Chansotheary, Member (Appointed on 24 July 2008)

### **Directors' interests**

No members held any interest in the equity of the Company. No arrangements existed to which the Company is a party with the object of enabling the members to obtain an interest in the Company or in any body corporate.

### **Directors' benefits**

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 are properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2008, 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 then apply them consistently;
- (ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to preparation and presentation of 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;

## External Audit Report

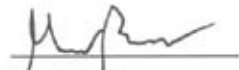
### **CREDIT Limited**

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

- (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 they have complied with the above requirements in preparing the financial statements.

*On behalf of the Board of Directors*



**Mr. Greg Burgess**

*Acting Chairman*

Date: 23 April 09



# External Audit Report



KPMG Cambodia Ltd  
No 2 Street 208  
Sangkat Beoung Prolit  
Khan 7 Makara, Phnom Penh  
Kingdom of Cambodia

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Fax +855 (23) 217 279  
Internet www.kpmg.com

## REPORT OF THE INDEPENDENT AUDITORS

### To the shareholders

### CREDIT Limited

We have audited the accompanying financial statements of CREDIT Limited (“the Company” or “CREDIT”), which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 7 to 56. The corresponding figures presented are based on the financial statements of the Company as at and for the year ended 31 December 2007, which were audited by another auditor whose report dated 7 April 2008 expressed an unqualified opinion on those financial statements.

### 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 Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of 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.

### Auditors’ 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 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 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.

# External Audit Report



### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of CREDIT Limited as at 31 December 2008, 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 financial statements.

The financial statements have been translated into Khmer Riel solely for compliance with the guidelines issued by the National Bank of Cambodia regarding the preparation and presentation of financial statements. We have audited the translation and, in our opinion, the financial statements expressed in United States Dollars have been translated into Khmer Riel on the basis set forth in Note 4 to the financial statements.

For KPMG Cambodia Ltd



Craig McDonald  
*Audit Partner*

Phnom Penh  
23 April 2009

# External Audit Report

## CREDIT Limited

### Balance sheet As at 31 December 2008

	Note	2008		2007	
		US\$	KHR'000	US\$	KHR'000
<b>Assets</b>					
Cash on hand	5	265,626	1,084,020	75,474	302,123
Deposits and placements with banks	6	560,526	2,287,507	609,647	2,440,417
Statutory deposits	7	81,250	331,581	68,750	275,206
Loans to customers	8	18,979,470	77,455,217	10,216,909	40,898,287
Other receivables	9	414,092	1,689,909	197,261	789,636
Deferred tax assets	10	44,802	182,838	2,689	10,764
Intangible assets	11	47,344	193,211	62,818	251,461
Property and equipment	12	271,939	1,109,783	176,469	706,405
<b>Total assets</b>		<b>20,665,049</b>	<b>84,334,066</b>	<b>11,410,017</b>	<b>45,674,299</b>
<b>Liabilities and shareholders' equity</b>					
Deposit from customers	13	863,484	3,523,878	1,190,584	4,765,908
Borrowings	14	13,985,045	57,072,969	6,129,766	24,537,453
Other liabilities	15	775,284	3,163,935	378,579	1,515,452
Provision for income tax	10	210,526	859,156	155,870	623,947
Deferred grant income	16	140,898	575,005	246,017	984,807
<b>Total liabilities</b>		<b>15,975,237</b>	<b>65,194,943</b>	<b>8,100,816</b>	<b>32,427,567</b>
<b>Shareholders' equity</b>					
Share capital	17	750,000	3,060,750	500,000	2,001,500
Donated capital	18	1,997,299	8,150,977	1,842,030	7,373,646
Retained earnings		1,942,513	7,927,396	967,171	3,871,586
		<b>4,689,812</b>	<b>19,139,123</b>	<b>3,309,201</b>	<b>13,246,732</b>
<b>Total liabilities and shareholders' equity</b>		<b>20,665,049</b>	<b>84,334,066</b>	<b>11,410,017</b>	<b>45,674,299</b>

The accompanying notes form part of these financial statements

## External Audit Report

### CREDIT Limited

#### Income statement Year ended 31 December 2008

	Note	2008		2007	
		US\$	KHR'000	US\$	KHR'000
Interest income	19	4,422,754	18,049,259	2,172,137	8,695,064
Interest expenses	20	(1,173,636)	(4,789,609)	(442,903)	(1,772,941)
<b>Net interest income</b>		<u>3,249,118</u>	<u>13,259,650</u>	<u>1,729,234</u>	<u>6,922,123</u>
Other operating income	21	38,490	157,078	54,478	218,075
<b>Operating income</b>		<u>3,287,608</u>	<u>13,416,728</u>	<u>1,783,712</u>	<u>7,140,198</u>
Operating and other expenses	22	(2,183,206)	(8,909,664)	(1,135,803)	(4,546,619)
Provision for bad and doubtful loans	8	-	-	-	-
<b>Profit from operations</b>		<u>1,104,402</u>	<u>4,507,064</u>	<u>647,909</u>	<u>2,593,579</u>
Grant income	23	79,115	322,868	159,532	638,607
<b>Profit before income tax</b>		<u>1,183,517</u>	<u>4,829,932</u>	<u>807,441</u>	<u>3,232,186</u>
Income tax expense	10	(208,175)	(849,562)	(164,815)	(659,754)
<b>Net profit for the year</b>		<u>975,342</u>	<u>3,980,370</u>	<u>642,626</u>	<u>2,572,432</u>

The accompanying notes form part of these financial statements



## External Audit Report

### CREDIT Limited

#### Statement of changes in equity Year ended 31 December 2008

	Share capital US\$	Donated capital US\$	Retained earnings US\$	Total US\$
Balance as at 1 January 2007	500,000	1,787,705	324,545	2,612,250
Increase in donated capital	-	54,325	-	54,325
Net profit for the year	-	-	642,626	642,626
Balance as at 31 December 2007	500,000	1,842,030	967,171	3,309,201
Increase in share capital	250,000	-	-	250,000
Increase in donated capital	-	155,269	-	155,269
Net profit for the year	-	-	975,342	975,342
Balance as at 31 December 2008	750,000	1,997,299	1,942,513	4,689,812
(KHR'000 equivalent)	3,060,750	8,150,977	7,927,396	19,139,123

The accompanying notes form part of these financial statements

## Notes to the Financial Statements

### CREDIT Limited

#### Statement of cash flows Year ended 31 December 2008

	Note	2008 US\$ KHR'000	2007 US\$ KHR'000
<b>Cash flows from operating activities</b>			
Net cash used in operating activities	24	(7,767,418)	(4,038,001)
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(6,200)	(22,921)
Purchase of property and equipment		(195,458)	(136,279)
Proceeds from disposals of property and equipment		4,828	3,447
Net cash used in investing activities		(196,830)	(155,753)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		9,932,979	4,873,593
Repayments of borrowings		(2,077,700)	(816,409)
Proceeds from issuance of share capital		250,000	-
Net cash generated from financing activities		8,105,279	4,057,184
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>141,031</b>	<b>(136,570)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>685,121</b>	<b>821,691</b>
Translation difference		-	-
<b>Cash and cash equivalents at end of year</b>	25	<b>826,152</b>	<b>685,121</b>

The accompanying notes form part of these financial statements

# Notes to the Financial Statements

## CREDIT Limited

### Notes to the financial statements (continued) 31 December 2008

#### 17. Share capital

The total authorised share capital is 15,000 shares (31 December 2007: 1,000 shares) with a par value of KHR200,000 per share (31 December 2007: KHR2,000,000). All authorised shares have been issued and fully paid up.

The details of shareholding are as follows:

	2008		2007	
	Number of shares	Amount US\$	Number of shares	Amount US\$
World Relief - United States	11,550	577,500	740	370,000
World Relief - Canada	2,550	127,500	170	85,000
World Hope International	900	45,000	90	45,000
	<u>15,000</u>	<u>750,000</u>	<u>1,000</u>	<u>500,000</u>
(KHR'000 equivalent)		<u>3,060,750</u>		<u>2,001,500</u>

Each share will have one vote and will participate equally in all dividends and other distributions of CREDIT.

Pursuant to the resolution of the Board of Directors on 29 August 2008, the following shares were issued:

	At 1 January 2008	Number of shares	
		issued	At 31 December 2008
World Relief - United States	740	10,810	11,550
World Relief - Canada	170	2,380	2,550
World Hope International	90	810	900
	<u>1,000</u>	<u>14,000</u>	<u>15,000</u>

The Company obtained approval from the National Bank of Cambodia on 26 December 2008 for the share increase. The Memorandum of the Articles of Association is being updated and pending approval from the Ministry of Commerce.

## Notes to the Financial Statements

### CREDIT Limited

#### Notes to the financial statements (continued) 31 December 2008

#### 18. Donated capital

The details of donated capital are as follows:

Cost	World Relief United States		World Relief Canada		World Hope International		Others		Total	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
At 1 January 2007	1,194,151	488,554	-	105,000	-	1,787,705	7,258,082			
Proceeds during the year	-	-	-	-	54,325	54,325	217,463			
Translation difference	-	-	-	-	-	-	(101,899)			
At 31 December 2007	1,194,151	488,554	-	105,000	54,325	1,842,030	7,373,646			
Proceeds during the year	-	47,354	-	-	107,915	155,269	633,653			
Translation difference	-	-	-	-	-	-	143,678			
At 31 December 2008	1,194,151	535,908	-	105,000	162,240	1,997,299	8,150,977			



## Offices Network

HEAD OFFICE	KAMPONG CHAM BRANCH
House N° 18, St. 422, Tonle Bassac, Chamkarmorn, Phnom Penh, Cambodia. P.O Box 126 Phone / Fax : (855) 23 217 942 Email : info@credit.com.kh	<b>Kampong Cham Branch and Sub Branch Office</b> National Road N° 7, Boeng Snay Village, Sambourmeas Commune, Kampong Cham District, Kampong Cham Province. Phone: (855) 92 850 154 Branch Manager: Mr. Heang Kimsreang Phone: (855) 12 561 784 Email : bm_kc@credit.com.kh Sub Branch Manager: Mr. Kong Chea Phone : (855) 92 925 469
PHNOM PENH BRANCH	Tboung Khmum Sub Branch Office
<b>Phnom Penh Branch and Sub Branch Office</b> House N° 38, St. 348, Sangkat Toulsvay Prey I, Khan Chamkarmorn, Phnom Penh, Cambodia. Phone: (855) 23 987 877 Branch Manager: Mr. Rom Vanara Phone: (855) 12 300 386 Email : bm_pp@credit.com.kh Sub Branch Manager: Mr. Ros Phea Phone: (855) 12 592 254	<b>Suong Lech Village, Suong Commune, Tboung Khmum District, Kampong Cham Province.</b> Sub Branch Manager: Mr. Nor Thy Phone : (855) 12 699 465
<b>Mean Chey Sub Branch</b> House N° 18, St. 422, Tonle Bassac, Chamkarmorn, Phnom Penh, Cambodia. Sub Branch Manager: Mrs. Chea Rany Phone: (855) 12 738 349	Prey Chhor Sub Branch Office
<b>Dongkor Sub Branch Office</b> House N° 11, Prorprork Khang Chhoeurng Village, Ka Kab Commune, Dong Kor District, Phnom Penh. Sub Branch Manager: Mr. Val Sophon Phone: (855) 16 525 666	<b>Doun Dei Village, Chrey Vien Commune, Prey Chhor District, Kampong Cham Province.</b> Sub Branch Manager: Mr. Hun Mengly Phone: (855) 12 446 396 / (855) 12 674 402
<b>Russey Keo Sub Branch Office</b> House N° 528, National Road N° 5, Village 1, Sangkat Chraing Chamres, Khan Russey Keo, Phnom Penh. Credit Manager: Mr. Chan Vutha Phone: (855) 12 555 467	Chamka Leu Sub Branch Office
KANDAL- TAKEO BRANCH	<b>National Road N° 71, Thnal Baek Keut Village, Svay Teab Commune, Chamka Leu District, Kampong Cham Province.</b> Sub Branch Manager: Mr. Chhun Meng Ang Phone: (855) 12 631 800
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<b>Ta Kmao Sub Branch Office</b> House N° 14, St. 02, Ta Kdol Village, Ta Kdol Commune, Ta Kmao District, Kandal Province. Sub Branch Manager: Mrs. Penn Vanny Phone : (855) 12 829 423	<b>National Road N° 7, Tboung Voat Village, Memot Commune, Memot District, Kampong Cham Province.</b> Sub Branch Manager: Mr. Pheng Bunnak Phone : (855) 12 489 812 / (855) 11 896 561
<b>Sa Ang Sub Branch Office</b> Prek Ron Village, Prek Kouy Commune, Sa Ang District, Kandal Province. Sub Branch Manager: Mr. Som Ra Phone : (855) 12 586 525	Batheay Sub Branch Office
	<b>National Road N° 6, Ph'av Village, Ph'av Commune, Batheay District, Kampong Cham Province.</b> Sub Branch Manager: Mr. Ly Sim Phone : (855) 12 200 117
	Ponhea Kreak Sub Branch Office
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## Offices Network

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<b>Baphnom Unit Office</b>
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<b>Kampong Chhnang Branch and Sub Branch Office</b>
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<b>Boribo Sub Branch Office</b>
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<b>Kampong Leng Sub Branch Office</b>
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<b>SIEM REAP BRANCH</b>
<b>Siem Reap Branch and Sub Branch Office</b>
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<b>Puok Sub Branch Office</b>
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<b>Moung Russey Sub Branch Office</b>
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