

MAXIMA MIKROHERANHVATHO CO., LIMITED

**FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT AUDITORS
FOR THE YEAR ENDED 31 DECEMBER 2011**

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CONTENTS

	Pages
REPORT OF THE BOARD OF DIRECTORS	1 - 4
REPORT OF INDEPENDENT AUDITORS	5 - 6
FINANCIAL STATEMENTS	
Balance sheet	7
Income statement	8
Statement of changes in equity	9
Cash flow statement	10
Notes to the financial statements	11 - 43
APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES ON COMPLIANCE WITH THE NATIONAL BANK OF CAMBODIA'S PRAKAS*	1 - VII

*Appendix does not form part of the financial statements.



REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (“the Directors”) is pleased to submit their report together with the audited financial statements of Maxima Mikroheranhvatho Co., Limited (“the Company”) for the year ended 31 December 2011.

MAXIMA MIKROHERANHVATHO CO., LIMITED

The Company was incorporated in the Kingdom of Cambodia on 27 July 2005 and registered with the Ministry of Commerce as a private limited liability company under register number Co-7897/05P dated 27 July 2005.

PRINCIPAL ACTIVITIES

The Company is principally engaged in all aspects of micro-finance business and the provision of related financial services in Cambodia.

RESULTS OF OPERATIONS AND DIVIDEND

The results of operations for the year ended 31 December 2011 are set out in the income statement on page 8.

During the financial year, the Board of Directors declared dividend amounting to USD 135,171 (2010: USD 38,502) after transfer of USD 4,786 (equivalent to 5% of the 2010 net profit) to the reserves in the equity.

STATUTORY CAPITAL

During the year 2011, the Company increased its issued and paid-up capital from USD 410,000 to USD 800,000.

RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the year under review.

BAD AND DOUBTFUL LOANS AND ADVANCES

Before the financial statements of the Company were drawn up, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and advances or making of provisions for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and that adequate provisions have been made.

At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances which would render the amount written off for bad loans and advances or the amount of the provision for bad and doubtful loans and advances in the financial statements of the Company inadequate to any material extent.

CURRENT ASSETS

Before the financial statements of the Company were drawn up, the 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 values as shown in the accounting records of the Company, have been written down to an amount which they might be expected to realise.

At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading in any material respect.

VALUATION METHODS

At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Company misleading or inappropriate in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- (a) no 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, and
- (b) no 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 have a material effect on the ability of the Company to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are 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 in any material respect.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company for the year ended 31 December 2011 were not, in the opinion of the Directors, materially 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 year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to substantially affect the results of the operations of the Company for the current financial year in which this report is made.

THE BOARD OF DIRECTORS

A Board meeting took place on 29 August 2011 whereby a new Board of Directors composed of five members was elected and appointed on 29 August 2011.

The new members of the Board of Directors holding office during the year and as at the date of this report are:

Mr. An Bun Hak	Non-executive Director/Chairman
Mr. Uong Kimseng	Executive Director /CEO
Ms. Sreng Sive Chheng	Executive Director/CFO
Mr. Chet Chan Prasoeur	Non-executive Director
Mr. Pa Ponnak Rithy	Executive Director/DCEO (Staff representative)

DIRECTORS' INTERESTS

The Directors are representing the interests of shareholders of the Company during the year and at the date of this report are as follows:

Shareholder	Holding %	Number of shares of USD10 each
Mr. An Bun Hak	33.75%	270,000
Mr. Uong Kimseng	18.75%	150,000
Ms. Sreng Sive Chheng	32.50%	260,000
Mr. Chet Chan Prasoeur	6.25%	50,000
Mr. Pa Ponnak Rithy	2.09%	16,700
	<u>93.34%</u>	<u>746,700</u>

DIRECTORS' BENEFITS

During and at the end of the year, no arrangements existed, to which the Company was 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.

No Director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company with the Director or with a firm of which the Director is a member, or with a company which the Director has a material financial interest other than as disclosed in the financial statements.

RESPONSIBILITIES OF THE DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible to ensure that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the year then ended. In preparing these financial statements, the Directors are required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) comply with the disclosure requirements and the National Bank of Cambodia's guidelines and Cambodian Accounting Standards or, if there have been any departures in the interests of fair presentation, 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) effectively control and direct the Company in all material decisions and actions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Directors confirm that the Company has complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been drawn up so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2011, and of its financial performance and cash flows for the year then ended in accordance with the National Bank of Cambodia's guidelines and Cambodian Accounting Standards, were approved by the Board of Directors.

On behalf of the Board of Directors



Mr. An Bun Hak
Chairman

Date: 20 April 2012



**REPORT OF INDEPENDENT AUDITORS
TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF MAXIMA
MIKROHERANHVATHO CO., LIMITED**

We have audited the accompanying financial statements of Maxima Mikroheranhvatho Co., Limited (“the Company”), which comprise the balance sheet as at 31 December 2011, and the related income statement, statement of changes in equity, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the National Bank of Cambodia's guidelines and Cambodian Accounting Standards. 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 Cambodian International Standards on Auditing (“CISA”) and the requirements of the National Bank of Cambodia (“NBC”). Those principles require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the year then ended, in accordance with the National Bank of Cambodia's guidelines and Cambodian Accounting Standards.

The accompanying financial statements are prepared for jurisdiction of Cambodia and the National Bank of Cambodia's guidelines. It is not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions other than Cambodia.

On behalf of Morison Kak & Associés

Morison Kak & Associés
Certified Public Accountants
Registered Auditors

Key KAK
Managing Partner

Date: 20 April 2012

MAXIMA MIKROHERANHVATHO CO., LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2011**

	Note	2011		2010
		USD	KHR'000	USD
ASSETS				
Cash in hand	4	20,238	81,741	7,455
Deposits and placements with banks	5	63,683	257,216	47,092
Statutory deposits with central bank	6	40,000	161,560	20,500
Loans and advances to customers - net	7	2,552,227	10,308,446	2,044,614
Capital investment	8	10,000	40,390	-
Property and equipment	9	25,389	102,546	30,900
Deferred tax assets	10	4,580	18,498	3,926
Other assets	11	46,565	188,076	40,591
TOTAL ASSETS		<u>2,762,682</u>	<u>11,158,473</u>	<u>2,195,078</u>
LIABILITIES AND CAPITAL				
LIABILITIES				
Amounts due to shareholders	12	150,000	605,850	108,000
Borrowings	13	1,583,828	6,397,081	1,422,936
Provision for income tax	14	25,286	102,130	31,298
Other liabilities	15	85,381	344,855	71,033
TOTAL LIABILITIES		<u>1,844,495</u>	<u>7,449,916</u>	<u>1,633,267</u>
CAPITAL AND RESERVES				
Share capital	16	800,000	3,231,200	410,000
Reserves		34,358	138,772	11,854
Retained earning		83,829	338,585	139,957
TOTAL CAPITAL AND RESERVES		<u>918,187</u>	<u>3,708,557</u>	<u>561,811</u>
LIABILITIES AND CAPITAL		<u>2,762,682</u>	<u>11,158,473</u>	<u>2,195,078</u>

Signed and authorised for release on behalf of the Board of directors



Mr. An Bun Hak
Chairman

Date: 20 April 2012

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

MAXIMA MIKROHERANHVATHO CO., LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011		2010
		USD	KHR'000	USD
Interest income	17	599,473	2,421,271	513,251
Interest expense	18	(100,599)	(406,319)	(81,077)
Net interest income		498,874	2,014,952	432,174
Other operating income	19	10,653	43,028	7,663
Personnel cost	20	(255,537)	(1,032,114)	(196,487)
Operating and other expenses	21	(130,051)	(525,276)	(108,622)
Depreciation expenses		(11,595)	(46,832)	(15,590)
Operating profit		112,344	453,758	119,138
Allowances for doubtful loans and advances	7	(1,724)	(6,963)	4,897
Profit before income tax		110,620	446,795	124,035
Income tax expense	22	(26,791)	(108,210)	(29,362)
Net profit for the year		83,829	338,585	94,673

Signed and authorised for release on behalf of the Board of directors



Mr. An Bun Hak
Chairman

Date: 20 April 2012

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

MAXIMA MIKROHERANHVATHO CO., LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Share Capital USD	Reverses USD	Retained Earnings USD	Total USD
Balance as at 1 January 2010	410,000	9,236	86,404	505,640
Dividend	-	-	(38,502)	(38,502)
Transfer to Reserve	-	2,618	(2,618)	-
Net profit for the year	-	-	94,673	94,673
Balance as at 31 December 2010	410,000	11,854	139,957	561,811
Balance as at 1 January 2011	410,000	11,854	139,957	561,811
Dividend	-	-	(135,171)	(135,171)
Capital increase	390,000	17,718	-	407,718
Transfer to Reserve	-	4,786	(4,786)	-
Net profit for the year	-	-	83,829	83,829
Balance as at 31 December 2011	800,000	34,358	83,829	918,187
Balance as at 31 December 2011 (KHR'000 equivalents)	3,231,200	138,772	338,585	3,708,557

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

MAXIMA MIKROHERANHVATHO CO., LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011		2010
		USD	KHR'000	USD
Cash flows from operating activities				
Net cash (used in)/from operating activities	23	<u>(387,982)</u>	<u>(1,567,059)</u>	<u>(219,002)</u>
Cash flows from investing activities				
Purchase of property and equipment	9	(6,083)	(24,569)	(3,978)
Capital investment	8	<u>(10,000)</u>	<u>(40,390)</u>	<u>-</u>
Net cash used in investing activities		<u>(16,083)</u>	<u>(64,959)</u>	<u>(3,978)</u>
Cash flows from financing activities				
Issued share capital		390,000	1,575,210	-
Dividend paid		(135,171)	(545,956)	(27,870)
Increased in reserve		17,718	71,563	-
Proceeds from borrowings		635,892	2,568,366	686,587
Repayment of borrowings		<u>(475,000)</u>	<u>(1,918,525)</u>	<u>(415,461)</u>
Net cash used in financing activities		<u>433,439</u>	<u>1,750,658</u>	<u>243,256</u>
Net changes in cash and cash equivalents		29,374	118,640	20,276
Cash and cash equivalents, beginning of the year		<u>54,547</u>	<u>220,317</u>	<u>34,271</u>
Cash and cash equivalents, end of the year		<u>83,921</u>	<u>338,957</u>	<u>54,547</u>
Represented by:				
Cash in hand	4	20,238	81,741	7,455
Deposits and placements with banks	5	<u>63,683</u>	<u>257,216</u>	<u>47,092</u>
		<u>83,921</u>	<u>338,957</u>	<u>54,547</u>

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

MAXIMA MIKROHERANHVATHO CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. GENERAL INFORMATION

Maxima Mikroheranhvatho Co., Ltd (“the Company”), formerly known as Maxima Organization for Household Economic Development (“the Institution”), was incorporated in Cambodia and registered with the Ministry of Commerce on 27 July 2005 under Registration No. Co. 7897/05P. On 10 August 2005, the Company obtained the license from the National Bank of Cambodia (“NBC”) to operate the micro-finance service to the economically active poor population of Cambodia. In June 2008, the NBC granted a permanent license to the Company.

The Company’s vision is to bring together people and business with the common goal of alleviating poverty by providing both economic and social opportunities to the rural poor. Its mission is to offer micro-finance services to low-income individuals, groups, and small and medium enterprises (“SMEs”), with an emphasis on lending to poor and rural women in addition to promoting savings.

The Company operates the micro-finance services in its head office located in Phnom Penh and its branch located in Kandal province.

The Company’s registered office is No. 39 E0-E4, Street 374, Sangkat Toul Svey Prey I, Chamkarmon, Phnom Penh and its branch is located in Kandal province.

As at 31 December 2011, the Company employed 65 employees (2010: 54 employees).

The financial statements were authorised for issue by the Board of Directors on 18 April 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company are prepared under the historical cost convention in accordance with the guidelines issued by the NBC and Cambodian Accounting Standards (“CAS”). In applying CAS, the Company also applies the Cambodian Financial Reporting Standard (“CFRS”) 7: *Financial Instruments: Disclosures*. This practice differs from the International Financial Reporting Standards which require that loans and receivables be carried at amortised cost using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

The preparation of financial statements in conformity with CAS as modified by NBC guidelines requires the use of estimates and assumptions that affect the amounts reported in the financial statements as at and for the year ended and accompanying notes. The estimates have been made based on existing available information and Management’s best knowledge of current event and actions; and therefore the actual results ultimately may differ from those estimates.

The accompanying financial statements are prepared for jurisdiction of Cambodia and are not intended to present the financial position and its financial performance and cash flows in accordance with generally accepted accounting principles and practice in other countries and those who are not informed about Cambodia’s procedures and practices.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New accounting standards and interpretations

There were no standards, amendments to existing standards and interpretations which became effective in the year ended 31 December 2011.

On 28 August 2009, the National Accounting Council announced the adoption of Cambodian International Financial Reporting Standards (“CIFRS”) which are based on full International Financial Reporting Standards. Public accountable entities shall prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012.

The following Cambodian International Accounting Standards (“CIAS”) or CIFRS and amendments to existing standards, which have been published are relevant and mandatory for the Bank’s accounting period beginning on or after 1 January 2012, but have not been early adopted by the Company:

- CIAS 1 (Revised), ‘Presentation of Financial Statements’
The revised standard prohibits the presentation of items of income and expenses (i.e., ‘non-owner changes in equity’) in the statement of changes in equity. All non-owner changes in equity are to be shown in a performance statement. Entities can opt to present one performance statement (i.e. statement of comprehensive income) or two statements (i.e. income statement and statement of comprehensive income). Entities which restate or reclassify comparative information are required to present a restated balance sheet as at the beginning comparative period. The revised standard also clarifies that potential settlement of a liability by issue of equity is not relevant in determining the classification of a liability as current or non-current liability.
- CIAS 24 (Revised), ‘Related Party Disclosures’
CIAS 24 was revised by (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition; and (b) providing a partial exemption from the disclosure requirements for government-related entities.
- CIAS 32, ‘Financial Instruments: Presentation’
The objective of this standard is to establish the principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments as well as classification of related interest, dividends, losses and gains.
- CIAS 39, ‘Financial Instruments: Recognition and Measurement’
The standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Adoption of CIAS 39 will result in the following revisions to the accounting policies on financial instruments:

Loans and advances to customers

Loans and advances to customers are currently stated in the balance sheet at outstanding principal and interest, less any amounts written off and provision for loan losses. Under CIAS 39, loans and receivables are initially recognised at fair value - which is the cash consideration to originate or purchase the loan including any transaction costs - and subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- CIAS 39, 'Financial Instruments: Recognition and Measurement' (continued)

Impairment of financial assets

The Company currently follows the mandatory credit classification and provisioning as required by Prakas No. B7-02-186 dated 13 September 2002 issued by the Central Bank, as disclosed in note 2.8 to the financial statements. CIAS 39 requires the Company to assess at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired, either on an individual or collective assessment basis. Impairment loss is measured as the difference between an asset's carrying amount and present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate. For the purposes of collective impairment assessment, assets are grouped on the basis of similar credit risk characteristics.

Interest income and interest expense

The Company currently recognises interest income and expense on an accrual basis at contractual rates, except where serious doubt exists as to the collectability, interest is suspended until it is realized on a cash basis. CIAS 39 requires interest income and expense for all interest-bearing financial instruments to be recognised using the effective interest method. In respect of a financial asset or a group of similar financial assets which are impaired, interest income is to be recognised at interest rate used in discounting future cash flows for purpose of measuring the impairment loss.

- CIFRS 7 (Amendment), 'Financial instruments – Disclosures'
The revised standard requires enhanced disclosures in respect of fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair values by fair value measurement hierarchy as follows:
 - Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
 - Level 2 – Inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly; and
 - Level 3 – Inputs for an asset or liability that are not based on observable market data.
- CIFRS 9, 'Financial instruments'
The standard establishes principles for financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows. CIFRS 9 specify the bases for classification and measurement of financial assets, including some hybrid contracts. They require all financial assets to be: (a) classified on the basis of an entity's business model for managing the financial assets and the contractual cash flow characteristics of a financial asset; (b) initially measured at fair value, plus transaction costs in the case of a financial asset not at fair value through profit or loss; and (c) subsequently measured at amortised cost or fair value based on asset classification.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other than the standards and amendments to existing standards as set out above, the other published standards, amendments and interpretations to existing standards, which are applicable for accounting periods beginning on or after 1 January 2011, are not relevant to the Company's operations.

2.3 Foreign currencies translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency').

The national currency of Cambodia is the Khmer Riel ("KHR"). However, as the Company transacts essentially in US Dollar ("USD") and maintains its books of accounts primarily in USD, the financial statements are presented in USD, which is the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

In compliance with the requirements of the NBC, all assets, liabilities, profit and loss statement items in foreign currencies at the end of the year are converted into thousand Khmer Riel ("KHR'000") using the official exchange rate announced by the NBC at the balance sheet date, of 1 USD = 4,039 KHR (31 December 2010: KHR 4,053). The purposes of such conversions are to comply with NBC's financial statements presentation guidelines only and should not be construed as representations that the KHR amounts have been, could be, or could in the future be, converted into USD at this or any other rate of exchange.

(b) Transactions and balance

Assets and liabilities expressed in currencies other than USD are translated into USD at the rate of exchange quoted by the NBC at the date of the balance sheet. Income and expenses arising in foreign currencies are converted at the rate of exchange prevailing on the transaction dates. Exchange differences arising from conversion are reported on a net basis in the statement of income.

2.4 Segment information

The Company operates within one business segment which is a micro-finance business operation, and within one geographical segment, the Kingdom of Cambodia

2.5 Cash and cash equivalents

Cash and cash equivalents comprise balances with original maturity of less than three months from the date of acquisition, including cash on hand, non-restricted balance with the Central Bank and balances with other banks.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Statutory deposits with central bank

Statutory deposits represent cash maintained with the NBC in compliance with the Law on Banking and Financial Institutions (“LBFI”) and are not available to finance the Company’s day-to-day operations and hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

2.7 Loans and advances to customers

Loans originated by the Company by providing money directly to the borrowers at draw down are categorised as loans and advances to customers and are carried at outstanding balance and interest, less allowances for loan loss and any amount written off. Interest in suspense represents interest accrued on loan receivables that are doubtful or bad.

2.8 Allowances for loan losses

Allowances for loan losses are based on the latest mandatory credit classification and provisioning guidelines required by Prakas B7-02-186 dated 13 September 2002 issued by the NBC. Allowances are made with regard to specific risks on loans individually reviewed and classified into four classes as standard, sub-standard, doubtful and loss regardless of the assets (except cash) lodged as collateral.

NBC guidelines require the following loan classification and minimum level of allowances:

Classification	Overdue	Rate of allowances
Standard	- Less than thirty days	0%
Substandard	- More than thirty days	10%
Doubtful	- 60 days and more (original term of up to one year)	30%
	- 180 days and more (original term of more than one year)	
Loss	- 90 days and more (original term of up to one year)	100%
	- 360 days and more (original term of more than one year)	

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

In accordance with NBC guidelines, overdue loans are defined as the total outstanding principal where the principal or interest is past due.

An uncollectible loan or portion of a loan classified as bad is written off when, in the judgement of the management with the approval of the Board of Directors, there is no prospect of recovery, after taking into consideration the realisable value of the collateral, if any. Loans written off are taken out of the outstanding loan portfolio and deducted from the provision for bad and doubtful loans.

Recoveries on loans previously written off are recognized as other operating income in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial year in which they are incurred.

Depreciation of property and equipment is calculated on a declining basis over the estimated useful lives of assets at the following rates per annum:

Leasehold improvements	50%
Computer and IT equipment	50%
Office equipment	20% - 50%
Furniture and fixture	25%
Motor vehicle	25%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing proceeds with carrying amount and are recognised in income statement.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Any impairment loss is charged to income statement in the period in which it arises. Reversal of impairment loss is recognised in the income statement to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Borrowings

Borrowings are stated at cost.

2.12 Provident fund

Provident fund is contributed by the Company and the eligible employees at the same fixed amount of USD 10 per month for each employee.

Provident fund is conditional and will be fully paid to the employee upon retirement age, or if the employee resigns before retirement age, they are entitled to the following portion of provident funds contributed by the Company:

Number of working years	Percentage (%) of total Provident funds provided for the employee
Less than 3 years	Nil
3 years and more	100%

2.13 Reserves

Based on the Memorandum and Article of Association, the Company has to transfer to this reserve fund 5% of its prior year's net profit. Such transfer shall cease when the reserve fund equals 10% of the Company's registered share capital.

2.14 Interest income and expense

Interest earned on loans and advances to customers, deposits with the Central Bank and other banks are recognised on the accrual basis, except when loans and advances to customers become doubtful of collection, in which case, no interest is recognised as income.

Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customer's loan accounts are classified as non-performing where repayments are in arrears for ninety days and more.

Interest expenses on borrowings are recognised on an accrual basis.

2.15 Grant incomes

Grant incomes are recognised at their fair value in income statement when received. Grant incomes are included in other operating incomes.

2.16 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligations; and a reliable estimate of the amount of the obligation can be made.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Current and deferred income taxes

Income tax expense for the period comprises current and deferred tax. Tax is recognised as expenses for the period. Taxes other than on income are recorded within operating expenses.

Current tax is calculated on the basis of taxable profit using tax rates that have been enacted or substantially enacted at the balance sheet date in accordance with Cambodian Law on Taxation.

Deferred tax is provided in full, using the liability method, on temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rate enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.19 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Under the LBFI, the definition of related parties includes parties who hold, directly or indirectly, at least 10 percent of the capital or voting rights and includes any individual who participates in the administration, direction, management or internal control of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations with regard to future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

(a) *Impairment losses on loans and advances*

The Company follows the mandatory credit classification and provisioning as required by Prakas No. B7-02-186 dated 13 September 2002 on asset classification and provisioning in the banking and financial institutions issued by the NBC. The NBC requires micro-finance to classify their loans, advances and similar assets into three classes and the minimum mandatory level of provisioning is provided, depending on the classification concerned and regardless of the assets lodged as collateral. For the purpose of loan classification, the Company takes into account all risks and relevant factors which may affect the counterparties' repayment abilities.

(b) *Income tax*

Taxes are calculated on the basis of current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax expenses will be made following inspection by the Tax Authorities.

Where the final tax outcome is different from the amounts that were initially recorded, such differences will have an impact on the income tax provisions in the financial period in which such determination is made.

4. Cash in hand

	2011		2010
	USD	KHR'000	USD
Head Office	18,047	72,892	5,780
Branch	2,191	8,849	1,675
	<u>20,238</u>	<u>81,741</u>	<u>7,455</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

5. Deposits and placement with banks

	2011		2010
	USD	KHR'000	USD
Current account:			
National Bank of Cambodia	416	1,680	396
Aceda Bank Plc	1,945	7,857	100
Rural Development Bank	129	521	139
Canadia Bank Plc	503	2,032	503
Maruhan Japan Bank	2,320	9,370	-
	<u>5,313</u>	<u>21,460</u>	<u>1,138</u>
Saving deposits:			
Canadia Bank	18,026	72,807	45,512
Aceda Bank	40,344	162,949	442
	<u>58,370</u>	<u>235,756</u>	<u>45,954</u>
	<u>63,683</u>	<u>257,216</u>	<u>47,092</u>

(a) Further analysis of the above deposits and placements is as follows:

(i) By maturity period

	2011		2010
	USD	KHR'000	USD
Within one month	<u>63,683</u>	<u>257,216</u>	<u>47,092</u>

(ii) By currency

	2011		2010
	USD	KHR'000	USD
US Dollars	<u>63,683</u>	<u>257,216</u>	<u>47,092</u>

(b) The above deposits earn interest at the following rates per annum:

	2011	2010
	%	%
Current accounts	-	-
Saving accounts	0.50 - 0.75	0.50 - 0.75

6. Statutory deposits with central bank

	2011		2010
	USD	KHR'000	USD
Statutory capital deposit	<u>40,000</u>	<u>161,560</u>	<u>20,500</u>
	<u>40,000</u>	<u>161,560</u>	<u>20,500</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

6. Statutory deposits with central bank (Continued)

Statutory deposit on capital represent a five percent interest-bearing statutory deposit on capital to comply with NBC's *Prakas* No.B 7-00-06 dated 11 January 2000 amended by *Prakas* No. B 7-06-209 dated 13 September 2006. The deposit is refundable when the Company voluntarily liquidates its activities and has no deposits liabilities.

This statutory deposit is interest bearing at ½ of the six-month period refinancing rate set by the NBC for statutory deposit maintained in Khmer Riel and 3/8 of the six-month period SIBOR rate for statutory deposit maintained in US Dollar.

7. Loans and advances to customers

	2011		2010
	USD	KHR'000	USD
Individuals	2,555,489	10,321,619	2,041,926
Group	1,950	7,876	7,440
	<u>2,557,439</u>	<u>10,329,495</u>	<u>2,049,366</u>
Allowances for impairment losses (*)	<u>(5,212)</u>	<u>(21,049)</u>	<u>(4,752)</u>
	<u>2,552,227</u>	<u>10,308,446</u>	<u>2,044,614</u>

(*) Movements on allowances for impairment losses are as follows:

	2011		2010
	USD	KHR'000	USD
At beginning of year	4,752	19,192	33,749
(Recovery)/Addition during the year	1,724	6,963	(4,897)
Write-off during the year	<u>(1,264)</u>	<u>(5,106)</u>	<u>(24,100)</u>
At end of year	<u>5,212</u>	<u>21,049</u>	<u>4,752</u>

MAXIMA MIKROHERANHVATHO CO., LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

7. Loans and advances to customers (Continued)

(a) By performance

	2011		2010
	USD	KHR'000	USD
Standard loans:			
- Secured (*)	2,552,087	10,307,879	2,044,269
- Unsecured	140	565	345
Substandard loans:			
- Secured	2,448	9,887	1,652
- Unsecured	-	-	-
Doubtful loans:			
- Secured	419	1,692	1,840
- Unsecured	-	-	-
Loss loans:			
- Secured	2,345	9,472	1,260
- Unsecured	-	-	-
	<u>2,557,439</u>	<u>10,329,495</u>	<u>2,049,366</u>

(b) By maturity period

	2011		2010
	USD	KHR'000	USD
Up to one months	4,264	17,221	1,620
Later than one month to three months	23,355	94,331	10,558
Later than three months to one year	833,904	3,368,138	722,653
Over one years but within three years	1,695,916	6,849,805	1,314,535
	<u>2,557,439</u>	<u>10,329,495</u>	<u>2,049,366</u>

(c) By security

	2011		2010
	USD	KHR'000	USD
Secured (*)	2,557,299	10,328,930	2,049,021
Unsecured	140	565	345
	<u>2,557,439</u>	<u>10,329,495</u>	<u>2,049,366</u>

* Secured loans represent loans and advances to customer that are collateralised by hard and soft title deeds. Approximately 80% of the loans are secured by soft title deeds. Soft title deed is a non-official certificate issued by the district cadastre or a letter of land ownership transfer issued by the Commune Chiefs, rather than a proper land/hard title deed registered with the Cadastral Registry Unit under the Land Laws. The validity of soft title deeds is contingent.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

7. Loans and advances to customers (Continued)

(d) By currency denomination

	2011		2010
	USD	KHR'000	USD
US Dollars	<u>2,557,439</u>	<u>10,329,495</u>	<u>2,049,366</u>

(e) By status of residence

	2011		2010
	USD	KHR'000	USD
Residents	<u>2,557,439</u>	<u>10,329,495</u>	<u>2,049,366</u>

(f) By relationship

	2011		2010
	USD	KHR'000	USD
Related parties (staff loans)	2,216	8,950	3,144
Non related parties	<u>2,555,223</u>	<u>10,320,545</u>	<u>2,046,222</u>
	<u>2,557,439</u>	<u>10,329,495</u>	<u>2,049,366</u>

(g) By economic sectors

	2011		2010
	USD	KHR'000	USD
Household/Family	483,445	1,952,633	755,043
Agriculture	620,632	2,506,733	459,132
Construction	267,581	1,080,760	-
Transportation	647,874	2,616,764	353,117
Services	198,490	801,701	171,749
Trade and Commerce	331,901	1,340,547	306,861
Staff loans	2,216	8,950	3,144
Other categories	<u>5,300</u>	<u>21,407</u>	<u>320</u>
	<u>2,557,439</u>	<u>10,329,495</u>	<u>2,049,366</u>

(h) By exposures

	2011		2010
	USD	KHR'000	USD
Non large exposures	<u>2,557,439</u>	<u>10,329,495</u>	<u>2,049,366</u>

MAXIMA MIKROHERANHVATHO CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

7. Loans and advances to customers (Continued)

(i) By location

	2011		2010
	USD	KHR'000	USD
Head office	1,795,707	7,252,860	1,418,027
Branch	761,732	3,076,635	631,339
	<u>2,557,439</u>	<u>10,329,495</u>	<u>2,049,366</u>

(j) By interest rate (per annum)

	2011	2010
	%	%
Loans	24% - 36%	24% - 36%
Staff loans	0 %	0 %

8. Capital Investment

On 05 January 2011, the Company as a member of the Cambodia Microfinance Association (CMA) agreed to invest 4% out of 10% of CMA's capital investment in Credit Bureau (Cambodia) Co. Ltd amounting to USD 10,000 to establish the Private Credit Bureau in Cambodia in order to provide credit information among microfinance system in Cambodia. This investment was made based on the agreement among members of CMA on 03 September 2010, authorizing CMA to invest 10% (equivalent to USD 250,000) of total estimated share capital in Credit Bureau (Cambodia) Co. Ltd.

On 12 July 2011, the capital investment of USD 10,000 was fully injected by the Company into CMA to invest in the Credit Bureau (Cambodia) Co. Ltd. The Credit Bureau (Cambodia) Co. Ltd is in the process of incorporation and registration with the total capital of USD 2,500,000. This capital investment carries no interest.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

9. Property and equipment

	Leasehold improvements USD	Office equipment USD	Computer & IT equipment USD	Furniture & fixtures USD	Motor vehicles USD	Total USD	Total KHR'000
Cost							
At 1 January 2011	1,298	4,167	10,069	12,237	45,094	72,865	294,302
Additions	-	-	5,647	436	-	6,083	24,569
At 31 December 2011	1,298	4,167	15,716	12,673	45,094	78,948	318,871
Accumulated depreciation							
At 1 January 2011	1,023	2,321	6,860	6,702	25,058	41,964	169,493
Charge for the year	206	461	4,429	1,490	5,009	11,595	46,832
At 31 December 2011	1,229	2,782	11,289	8,192	30,067	53,559	216,325
Net book value							
At 31 December 2011	69	1,385	4,427	4,481	15,027	25,389	102,546
At 31 December 2010	275	1,845	3,209	5,535	20,036	30,900	124,805
Depreciation charge for 2010	377	2,077	3,306	1,647	8,182	15,590	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

10. Deferred tax assets

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income taxes related to the same fiscal authority. The offset amounts are as follows:

	2011		2010
	USD	KHR'000	USD
Deferred tax asset	4,580	18,498	3,926
Deferred tax liability	-	-	-
	<u>4,580</u>	<u>18,498</u>	<u>3,926</u>

The gross movement in the deferred income tax account is as follows:

	Provision for provident fund USD	Property and equipment USD	Total USD
January 1, 2010	2,290	(210)	2,080
credit to income statement	1,162	684	1,846
January 1, 2011	3,452	474	3,926
credit to income statement	594	60	654
December 31, 2011	<u>4,046</u>	<u>534</u>	<u>4,580</u>

11. Other assets

	2011		2010
	USD	KHR'000	USD
Interests receivable	31,139	125,770	26,090
Interest in suspense	(237)	(957)	(271)
Prepaid rent	9,045	36,533	8,990
Deposit in registered stock share of Consorzio Etimos S.C (*)	6,553	26,467	4,462
Others	65	263	1,320
	<u>46,565</u>	<u>188,076</u>	<u>40,591</u>

(*) In accordance with the loan agreement with Consorzio Etimos S.C.; the Company is required to subscribe a number of Consorzio Etimos S.C. shares as stated in the loan agreement at EURO 258 per share. This is to comply with the requirement of Consorzio Etimos S.C. and the subscribed amount represents the deposit which will be recoverable and repaid following the loan maturity date or when the Company pays off the loan.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

12. Amounts due to shareholders

	2011		2010
	USD	KHR'000	USD
Ms. Sreng Sive Chheng	150,000	605,850	100,000
Mr. Pa Ponnak Rithy	-	-	8,000
	<u>150,000</u>	<u>605,850</u>	<u>108,000</u>

This represents short-term borrowing from shareholders which will mature within 6 - 9 months and earn interest at 10% (2010: 10%) per annum.

13. Borrowings

		2011		2010
		USD	KHR'000	USD
KIVA Microfunds	(i)	454,398	1,835,313	398,506
Conorzio Etimos S.C	(ii)	399,430	1,613,298	224,430
Rural Development Bank		-	-	300,000
Luxembourg Microfinance and Development Fund SICAV	(iii)	450,000	1,817,550	500,000
Maruhan Japan Bank	(iv)	180,000	727,020	-
Aceda Bank Plc	(v)	100,000	403,900	-
		<u>1,583,828</u>	<u>6,397,081</u>	<u>1,422,936</u>

(i). KIVA Microfunds

On 10 May 2007, the Company entered into a loan agreement with KIVA Microfunds ("KIVA"). The loan is initially disbursed by the Company to the customers, and then the loan is disbursed upon request from the Company through access to the Website maintained by KIVA. The loan is unsecured, interest free and the principle is payable on a monthly basis.

(ii). Conorzio Etimos S.C.

Terms	Four years maturing on: First loan 01 November 2012 Second loan 02 November 2014
Total credit facilities	First loan USD 200,000.00 Second loan USD 300,000.00
Repayment	Principle and interest on semi-annual basis
Interest rate	First loan LIBOR 6 months+ 5.5% per annum or a minimum interest Rate (floor rate) of 8% per annum, with the amount of USD200,000 Second loan LIBOR 6 months+ 5.5% per annum (floor rate) of 8%)
Security	The Company subscribed eleven shares of Conorzio Etimos S.C at the fixed amount of EURO 4,386 (equivalent to USD 6,553) as described in Note 11 above.

MAXIMA MIKROHERANHVATHO CO., LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

13. Borrowings (continued)

(iii). Luxembourg Microfinance and Development Fund SICAV

Terms	Four year maturing on: First loan 15 December 2012 Second loan 28 February 2015
Total credit facilities	First loan USD 200,000.00 Second loan USD 300,000.00
Repayment	First loan Principle USD 50,000.00 on 15 December 2011 and USD 150,000.00 on 15 December 2012 First loan Principle USD 75,000.00 on 28 February 2014 and USD 225,000.00 on 28 February 2015
Interest rate	First loan 8% per annum Second loan 8% per annum (net of withholding tax)
Security	Unsecured

(iv). Maruhan Japan Bank

Terms	Three year maturing on: First loan 26 October 2014
Total credit facilities	First loan USD 180,000.00
Repayment	First loan Principle USD 15,000.00 each quarterly instalment.
Interest rate	First loan 9% per annum
Security	Unsecured

(v). Acleda Bank Plc

Terms	Nine month maturing on: First loan 15 June 2012
Total credit facilities	First loan USD 100,000.00
Repayment	First loan Principle USD 100,000.00 on 15 June 2012
Interest rate	First loan 9% per annum
Security	Unsecured

14. Provision for income tax

	2011		2010
	USD	KHR'000	USD
Balance at beginning of year	31,298	126,413	17,468
Charge during the year	27,445	110,850	31,208
Taxation paid during the year	(33,457)	(135,133)	(17,379)
	25,286	102,130	31,298

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

15. Other liabilities

	2011		2010
	USD	KHR'000	USD
Provident fund (a)	40,460	163,418	34,900
Interest payable	21,831	88,176	11,355
Dividend payable	-	-	10,632
Insurance for staff	5,471	22,097	5,471
Professional fees	8,500	34,332	3,150
Salary and withholding tax	3,035	12,258	3,085
Others	6,084	24,574	2,440
	<u>85,381</u>	<u>344,855</u>	<u>71,033</u>

(a) The movement of provident fund is as follows:

	2011		2010
	USD	KHR'000	USD
Balance at beginning of year	34,900	140,961	23,580
Payment during the year	(6,090)	(24,598)	(300)
Charge during the year	5,220	21,084	5,810
Contribution from staff during the year	6,430	25,971	5,810
	<u>40,460</u>	<u>163,418</u>	<u>34,900</u>

16. Share capital

	2011		2010
	USD	KHR'000	USD
Balance at beginning of year	410,000	1,655,990	410,000
Proceed from share issued	390,000	1,575,210	-
Balance at end of year	<u>800,000</u>	<u>3,231,200</u>	<u>410,000</u>

The registered statutory capital of the Company as at 31 December 2011 is 80,000 shares at a par value of USD 10 per share. All shares are fully paid.

Actually, on 29 August 2011, the Board of Directors of the Company decided to increase its share capital from 41,000 to 80,000 shares at USD 10 per share. The increase was approved by NBC on 5 October 2011.

On 18 January 2012, the revised Article of Association of the Company was approved by the Ministry of Commerce.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

16. Share capital (continued)

The details of shareholding are as follows:

	2011		2010
	USD	%	USD
Mr. An Bun Hak	270,000	33.8%	100,000
Ms. Sreng Sive Chheng	260,000	32.5%	120,000
Mr. Uong Kimseng	150,000	18.8%	100,000
Mr. Chet Chan Prasoeur	50,000	6.3%	40,000
Mr. Pa Ponnak Rithy	43,300	5.4%	30,000
Mr. Pa Ponnak Rithy (staff representative)	16,700	2.1%	-
Mr. Pa Ponnak Kiry (staff representative)	-	0.0%	10,000
Ms. Buy Sivantha	10,000	1.3%	10,000
	<u>800,000</u>	<u>100.0%</u>	<u>410,000</u>

17. Interest income

	2011		2010
	USD	KHR'000	USD
Loans and advances	598,264	2,416,388	512,735
Deposits and placements with banks	1,209	4,883	516
	<u>599,473</u>	<u>2,421,271</u>	<u>513,251</u>

18. Interest expense

Interest expense is incurred on borrowings.

	2011		2010
	USD	KHR'000	USD
Interest expense on borrowings	100,599	406,319	81,077
	<u>100,599</u>	<u>406,319</u>	<u>81,077</u>

19. Other operating income

	2011		2010
	USD	KHR'000	USD
Penalty income	3,210	12,965	5,678
Grant income	1,276	5,154	-
Recovery on loans written off	5,139	20,757	1,320
Others	1,028	4,152	665
	<u>10,653</u>	<u>43,028</u>	<u>7,663</u>

MAXIMA MIKROHERANHVATHO CO., LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

20. Personnel cost

	2011		2010
	USD	KHR'000	USD
Salaries and bonuses	254,067	1,026,177	194,687
Employee training	1,470	5,937	1,800
	<u>255,537</u>	<u>1,032,114</u>	<u>196,487</u>

21. Other operating expenses

	2011		2010
	USD	KHR'000	USD
Motor vehicle operating expense	24,369	98,425	18,422
Professional fees	24,115	97,400	6,787
Office rental	20,913	84,468	18,855
Withholding tax	10,340	41,763	7,828
Stationery and supplies expenses	6,041	24,400	5,538
Fees and commission	5,204	21,018	15,157
Provident fund	5,220	21,084	5,810
Business meals and entertainment	4,860	19,630	2,988
Utilities expenses	4,651	18,785	4,953
Communication	4,589	18,535	4,749
Security expenses	3,240	13,086	3,240
Per-diem and incidental travel	3,042	12,287	2,530
Marketing and advertising expenses	2,270	9,169	923
Insurance	1,151	4,649	995
License fees expense	878	3,546	1,264
Memberships expenses	750	3,029	750
Repair and maintenance	761	3,074	1,727
Donations and gifts	432	1,745	1,792
Traveling expenses	453	1,830	416
Shareholder meeting expenses	451	1,822	-
Others	6,321	25,531	3,898
	<u>130,051</u>	<u>525,276</u>	<u>108,622</u>

22. Income tax expense

(a) Tax on profit expenses

	2011		2010
	USD	KHR'000	USD
Current tax	27,445	110,850	31,208
Deferred tax (note 10)	(654)	(2,640)	(1,846)
	<u>26,791</u>	<u>108,210</u>	<u>29,362</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

22. Income tax expense (continued)

(b) Reconciliation of current income tax

In accordance with Cambodian law, the Company has an obligation to pay corporate income tax of the higher of 20% of taxable income or a minimum tax of 1% of revenues.

The reconciliation of income tax expense computed at the statutory tax rate of 20% to the income tax expense shown in the income statement is as follows:

	2011		2010
	USD	KHR'000	USD
Profit before income tax	110,620	446,794	124,036
Tax calculation at 20%	22,124	89,359	24,807
Expenses not deductible for tax purposes	5,321	21,491	6,401
Income tax expense	<u>27,445</u>	<u>110,850</u>	<u>31,208</u>

(c) Other tax matters

The Company's tax calculation is subject to periodic examination by the tax authority. As the application of tax laws and regulations of various types of transactions are susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date, upon final determination by the tax authority.

23. Cash flows from operating activities

	2011		2010
	USD	KHR'000	USD
Cash flows from operating activities			
Profit before income tax	110,620	446,794	124,035
<i>Adjustments for:</i>			
Depreciation expenses (note 9)	11,595	46,832	15,590
Loan written off	(1,264)	(5,105)	-
Net impairment loss on loans and advances (note 7)	1,724	6,963	(4,897)
Operating profit before changes in working capital	122,675	495,484	134,728
Changes in operating assets and liabilities:			
Statutory deposits with central bank	(19,500)	(78,761)	-
Loans and advances to customers	(508,074)	(2,052,110)	(355,660)
Other assets	(5,974)	(24,129)	(5,385)
Amount due to shareholders	42,000	169,638	18,000
Other liabilities	14,348	57,952	6,694
Cash (used in)/generated from operations	(354,525)	(1,431,926)	(201,623)
Income tax paid (note 14)	(33,457)	(135,133)	(17,379)
Net cash (used in)/from operating activities	<u>(387,982)</u>	<u>(1,567,059)</u>	<u>(219,002)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

24. Related party transactions and balances

(a) Key management personnel remuneration

	2011		2010
	USD	KHR'000	USD
Salaries and other benefits	78,266	316,118	61,028

(b) Borrowings

	2011		2010
	USD	KHR'000	USD
Ms. Sreng Sive Chheng	150,000	605,850	100,000
Mr. Pa Ponnak Rithy	-	-	8,000
	150,000	605,850	108,000

25. Lease commitments

The Company has lease commitments for lease of its headquarter and provincial office as follows:

	2011		2010
	USD	KHR'000	USD
Note later than one year	16,680	67,371	20,280
Later than one year and not later than 5 years	2,840	11,471	19,520
	19,520	78,842	39,800

26. Subsequent event

The Company changed its name from Maxima Mikroheranhvatho Co., Ltd to Maxima Mikroheranhvatho Plc, a public limited company, through letter sent to the Ministry of Commerce on 5 January 2012 and received approval from this latter on 18 January 2012. On 8 February 2012, the new name was acknowledged by NBC.

27. Tax interpretation

The Cambodian General Department of Taxation has two separate offices that are authorised to conduct tax audits of entities undertaking activities and doing business in Cambodia. The application of tax laws and regulations on many types of transactions is susceptible to varying interpretations when reviewed by these two tax offices. The Company's judgement of its business activities may not coincide with the interpretation of the same activities by those tax offices.

If a particular treatment was to be challenged by those various tax authorities, the Company may be assessed additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the tax authorities for three years with a possible extension of up to ten years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

28. Financial risk management

The Company's business involves taking on risks in a targeted manner and managing them professionally. The Company's risk management is to identify all key risks, measure these risks, manage the risk positions and determine capital allocations. The risks arising from financial business to which the Company's activities are exposed are operational risk, financial risks: credit risk, market risk (including foreign exchange risk and interest rate risk), and liquidity risk. The following are policies and guidelines adopted by the Company to manage risks related to its business activities.

28.1 Operational risk

The operational risk is the risk of losses arising from inadequate or failed internal processes, people or systems or from external factors. This risk is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the senior management. This includes legal, compliance, accounting and fraud risk.

The operational risk management entails the establishment of policies and procedures to provide guidance to the key operating units on the risk governance structure and baseline internal controls necessary to identify, assess, monitor and control their operational risks. Internal control policies and measures that have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation ensuring compliance with regulatory and legal requirements. These are reviewed periodically, taking into account the business objectives and strategies of the Company as well as regulatory requirements.

28.2 Credit risk

The Company assumes exposure to credit risk which is the risk that customers, clients or market counterparties fail to fulfil their contractual obligations to the Company when due. Credit risk arises mainly from loans and advances arising from such lending activities.

(a) Credit risk measurement

The Company has set up the Credit Risk Policy which is designed to govern the Company's risk undertaking activities. Procedures of risk limit setting, monitoring, usage, and control are governed by credit programs which set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured.

The Company also ensures that there is a clear segregation of duties between loan originators, evaluators and approving authorities.

(b) Risk limit control and mitigation policies

The Company manages, limits and controls concentration of credit risk whenever they are identified - in particular, to individual counterparties and groups, and to industries.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments.

MAXIMA MIKROHERANHVATHO CO., LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

28. Financial risk management (continued)

28.2 Credit risk (continued)

(b) Risk limit control and mitigation policies (continued)

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet interest and capital repayment obligations and reviewing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and personal guarantees as well as by providing for loan losses. Limits on level of credit risk by product and industry sector are approved by Board of Directors.

Large exposure is defined by the NBC as overall credit exposure to any single beneficiary which exceeds 10% of the Company's net worth. The Company is required, under the conditions of Prakas No. B7-06-226 of the NBC, to maintain at all times a maximum ratio of 20% between the Company's overall credit exposure to any single beneficiary and the Company's net worth. The aggregation of large credit exposure must not exceed 300% of the Company's net worth.

(c) Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provisioning in accordance with the relevant Prakas issued by NBC, as stated in note 2.8 to the financial statements.

Loans and advances less than 30 days past due are not considered impaired, unless other information available indicates otherwise. A minimum level of specific provision for impairment is made depending on the classification concerned.

(d) Maximum exposure to credit risk before collateral held or other credit enhancements

	2011		2010
	USD	KHR'000	USD
Credit risks exposures relating to on-balance sheet assets:			
Balances with other banks	63,683	257,216	47,092
Loans and advances	2,552,227	10,308,446	2,044,614
Capital investment	10,000	40,390	-
Other assets	46,565	188,076	40,591
	<u>2,672,475</u>	<u>10,794,128</u>	<u>2,132,297</u>

The table above represents the maximum credit risk exposure to the Company as at 31 December 2011, without taking into account any collateral held or other credit enhancements. 95% of the total maximum credit exposure is derived from loans and advances to customers in Cambodia.

Management is confident of its ability to control and sustain minimal exposure to credit risk; and believes that Company's maximum exposure to credit risk is limited to the carrying amount of loans less provisions for doubtful loans. Loans are also provided to those borrowers that are deemed profitable.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

28. Financial risk management (continued)

28.2 Credit risk (continued)

(c) Loans and advances are summarised as follows:

	2011		2010
	USD	KHR'000	USD
Loans and advances neither past due nor impaired	2,552,227	10,308,446	2,044,614
Loans and advances individually impaired	5,212	21,049	4,752
Gross	2,557,439	10,329,495	2,049,366
Less:			
Provision for loan loss	(5,212)	(21,049)	(4,752)
Net	2,552,227	10,308,446	2,044,614

For the purpose of loan provisioning, expected recovery from collateral (except cash) is not taken into consideration in accordance with the Central Bank's requirement.

(i) Loans and advances neither past due or impaired

Loans and advances not past due are not considered impaired, unless other information is available to indicate the contrary.

(ii) Loans and advances individually impaired

Loans and advances individually impaired are loans and advances for which the Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans and advances. In accordance with NBC guidelines, loans and advances past due more than 30 days are considered impaired and minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

	2011		2010
	USD	KHR'000	USD
Past due 30-59 days	2,448	9,887	1,652
Past due 60-89 days	1,389	5,610	1,840
Past due 90 days and more	1,375	5,554	1,260
	5,212	21,051	4,752

MAXIMA MIKROHERANHVATHO CO., LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

28. Financial risk management (continued)

28.2 Credit risk (continued)

(f) Concentration of financial assets with credit risk exposure

(i) By geographical distribution

The credit exposure of the Company as at 31 December 2011 is wholly derived from Cambodia based on the country of domicile of the counterparties.

(ii) By industry sector

	Balances with other banks USD	Loan and advances to customers USD	Capital investment USD	Other assets USD	Total USD	Total KHR' 000
At 31 December 2011						
Agriculture	-	620,632	-	-	620,632	2,506,733
Household/Family	-	483,445	-	-	483,445	1,952,634
Construction	-	267,581	-	-	267,581	1,080,760
Financial institutions	63,683	-	-	-	63,683	257,216
Transportation	-	647,874	-	-	647,874	2,616,763
Services	-	198,490	10,000	-	208,490	842,091
Trade and Commerce	-	331,901	-	-	331,901	1,340,548
Staff loans	-	2,216	-	-	2,216	8,950
Others	-	5,300	-	46,565	51,865	209,483
	<u>63,683</u>	<u>2,557,439</u>	<u>10,000</u>	<u>46,565</u>	<u>2,677,687</u>	<u>10,815,178</u>
At 31 December 2010						
Agriculture	-	459,132	-	-	459,132	1,860,862
Household/Family	-	755,043	-	-	755,043	3,060,188
Financial institutions	47,092	-	-	-	47,092	190,864
Transportation	-	353,117	-	-	353,117	1,431,183
Services	-	171,749	-	-	171,749	696,099
Trade and Commerce	-	306,861	-	-	306,861	1,243,708
Staff loans	-	3,144	-	-	3,144	12,743
Others	-	320	-	40,591	40,911	165,812
	<u>47,092</u>	<u>2,049,366</u>	<u>-</u>	<u>40,591</u>	<u>2,137,049</u>	<u>8,661,459</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

28. Financial risk management (continued)

28.3 Market risk

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument, will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

(a) Foreign currency exchange risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Company has no material exposures to currency risk as it transacts essentially in US Dollar. Significant presence of US Dollar is a normal practice of Company operating in Cambodia as this is a currency widely in use in Cambodia.

(b) Price risk

The Company is not exposed to securities price risk because it does not hold any investments classified on the balance sheet either as available for sale or at fair value through profit or loss. The Company currently does not have a policy to manage its price risk.

(c) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set.

The Management is satisfied that the Company's position is such that exposure to movements in interest rates is minimised.

The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

28. Financial risk management (continued)

28.3 Interest rate risk (continued)

As at 31 December 2011

	Up to 1 month USD	1-3 months USD	3-12 months USD	1 to 5 years USD	Over 5 years USD	Non-interest bearing USD	Total USD	Interest rate %
Financial Assets								
Cash in hand	-	-	-	-	-	20,238	20,238	
Deposits and placements with banks	58,370	-	-	-	-	5,313	63,683	
Statutory deposits with central bank	-	-	-	-	40,000	-	40,000	
Loans and advances to customers:								
- Performing	2,470	23,355	830,486	1,695,916	-	-	2,552,227	24% -36%
- Non-performing	1,794	-	3,418	-	-	-	5,212	24% -36%
- Specific provisions	-	-	-	-	-	(2,715)	(2,715)	
- General provisions	-	-	-	-	-	(2,497)	(2,497)	
Capital investment	-	-	-	-	-	10,000	10,000	
Other assets	-	-	-	-	-	46,565	46,565	
Total financial assets	62,634	23,355	833,904	1,695,916	40,000	76,904	2,732,713	
Financial liabilities								
Amount due to shareholders	-	-	150,000	-	-	-	150,000	10%
Borrowings	-	-	349,430	1,234,398	-	-	1,583,828	7.64%
Other liabilities	-	-	-	-	-	85,381	85,381	
Provision for income tax	-	-	-	-	-	25,286	25,286	
Total financial liabilities	-	-	499,430	1,234,398	-	110,667	1,844,495	
Interest sensitivity gap 2011 (USD)	62,634	23,355	334,474	461,518	40,000	(33,763)	888,218	
Interest sensitivity gap 2011 (KHR' 000 equivalent)	252,979	94,331	1,350,940	1,864,071	161,560	(136,371)	3,587,511	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

28. Financial risk management (continued)

28.3 Interest rate risk (continued)

As at 31 December 2010

	Up to 1 month USD	1-3 months USD	3-12 months USD	1 to 5 years USD	Over 5 years USD	Non-interest bearing USD	Total USD	Interest rate %
Financial Assets								
Cash in hand	-	-	-	-	-	7,455	7,455	
Deposits and placements with banks	45,954	-	-	-	-	1,138	47,092	
Statutory deposits with central bank	-	-	-	-	20,500	-	20,500	0.24%
Loans and advances to customers:								
- Performing	930	9,716	720,558	1,313,410	-	-	2,044,614	24%–36%
- Non-performing	690	842	2,095	1,125	-	-	4,752	24%–36%
- Specific provisions	-	-	-	-	-	(1,977)	(1,977)	-
- General provisions	-	-	-	-	-	(2,775)	(2,775)	-
Other assets	-	-	-	-	-	40,591	40,591	-
Total financial assets	47,574	10,558	722,653	1,314,535	20,500	44,432	2,160,252	
Financial liabilities								
Amount due to shareholders	50,000	8,000	50,000	-	-	-	108,000	10%
Borrowings	-	-	300,000	1,122,936	-	-	1,422,936	7.64%
Other liabilities	-	-	-	-	-	71,033	71,033	-
Provision for income tax	-	-	-	-	-	31,298	31,298	-
Total financial liabilities	50,000	8,000	350,000	1,122,936	-	102,331	1,633,267	
Interest sensitivity gap 2010 (USD)	(2,426)	2,558	372,653	191,599	20,500	(57,899)	526,985	
Interest sensitivity gap 2010 (KHR' 000 equivalent)	(9,833)	10,368	1,510,363	776,551	83,087	(234,663)	2,135,871	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

28. Financial risk management (continued)

28.4 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligation when they fall due as a result of borrowings being repaid, cash requirements from contractual commitments, or other cash outflows.

(a) Liquidity risk management process

The Company's management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the daily cash position and project for the next week and month respectively, as these are key periods for liquidity management. The management monitors the movement of borrowings and projection of their repayments.

(b) Funding approach

The Company's main sources of liquidities arise from shareholder's paid-up capital and borrowings. The sources of liquidity are regularly reviewed daily through management's review of maturity of term loans.

(c) Non-derivative cash flows

The table below analyses non-derivative financial assets and liabilities of the Company into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual or estimated maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash flows.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

28. Financial risk management (continued)

28.4 Liquidity risk (continued)

As at 31 December 2011

	Up to 1 month USD	1-3 months USD	3-12 months USD	1 to 5 years USD	Over 5 years USD	No fixed maturity USD	Total USD
Financial Assets							
Cash in hand	20,238	-	-	-	-	-	20,238
Deposits and placements with banks	58,370	-	-	-	-	5,313	63,683
Statutory deposits with central bank	-	-	-	-	-	40,000	40,000
Loans and advances to customers:							
- Performing	2,470	23,355	830,486	1,695,916	-	-	2,552,227
- Non-performing	1,794	-	3,418	-	-	-	5,212
- Specific provisions	-	-	-	-	-	(2,715)	(2,715)
- General provisions	-	-	-	-	-	(2,497)	(2,497)
Capital investment	-	-	-	-	-	10,000	10,000
Other assets	9,110	-	37,455	-	-	-	46,565
Total financial assets	91,982	23,355	871,359	1,695,916	-	50,101	2,732,713
Financial liabilities							
Amount due to shareholders	-	-	150,000	-	-	-	150,000
Borrowings	-	-	349,430	1,234,398	-	-	1,583,828
Other liabilities	-	85,381	-	-	-	-	85,381
Provision for income tax	-	25,286	-	-	-	-	25,286
Total financial liabilities	-	110,667	499,430	1,234,398	-	-	1,844,495
Net position 2011 (USD)	91,982	(87,312)	371,929	461,518	-	40,101	878,218
As at 31 December 2010							
Total financial assets	65,339	10,558	752,934	1,314,535	-	16,886	2,160,252
Total financial liabilities	50,000	110,331	350,000	1,122,936	-	-	1,633,267
Net position 2010 (USD)	15,339	(99,773)	402,934	191,599	-	16,886	526,985

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

28. Financial risk management (continued)

28.5 Capital management

The Company considers the need to balance efficiency, flexibility and adequacy when determining sufficiency of capital and when developing capital management plans. The Company details these considerations through an internal capital adequacy assessment process and the key features of which include (a) consideration of both economic and regulatory of minimum capital requirements set by the National Bank of Cambodia, (b) safeguarding the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, (c) maintaining a strong capital base to support the development of business.

28.6 Fair value of financial assets and liabilities

Since market prices for the major part of Company's financial assets and liabilities are not available, the fair value of these items is based on the estimates of the Management according to the type of assets and liabilities. According to the estimation of the Management, the market value is not materially different from the carrying amount of all categories of assets and liabilities.

The carrying amounts and fair value of financial assets and liabilities are not presented on the Company's balance sheet at their fair value. The estimated fair values are based on the following methodologies and assumptions:

(a) Deposits and placements with other banks

Deposits and placements with other banks include current accounts, saving deposits and fixed deposits. The fair values of deposits and placements with other banks approximate their carrying amounts.

(b) Loans and advances to customers

Loans and advances are stated at outstanding balance and interest, net of provision for loan losses. The provision of loan losses is made in accordance with the requirements of the relevant Prakas issued by the NBC in note 2.8.

(c) Borrowings

The fair value of fixed interest-bearing borrowings not quoted in an active market is based on principles outstanding using the interest rates of such borrowings.

(d) Other assets and liabilities

The carrying amounts of other financial assets and liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

**APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION
AND OTHER NOTES ON COMPLIANCE WITH THE NBC'S PRAKAS**

**Ratio and information contained in this section have been extracted from data contained in
the audited financial statements for the year ended 31 December 2011**



ម៉ាកស៊ីម៉ា មីក្រូហិរញ្ញវត្ថុ

MAXIMA MIKROHERANHVATHOCO., LTD

ផ្ទះលេខ ៣៩ ផ្លូវលេខ ៣៧៤ សង្កាត់ទួលស្វាយ ព្រៃ ១ ខ្ពស់ចំការមន ភ្នំពេញ កម្ពុជា
No.39, St. 374, Toul Svay Prey I, Chamcarmorn, Phnom Penh CAMBODIA
PHONE: (855) 23 214 240 / FAX: (855) 23 354 240
E-mail: maximacredit@yahoo.com / Web: <http://www.maxima.com.kh>

STATEMENT BY MANAGEMENT

We, being the management of Maxima Mikroheranhvatho Co., Limited, do hereby state that in our opinion, the accompanying supplementary financial information consisting in disclosures requirements set by *Prakas* of the National Bank of Cambodia are properly drawn up so as to reflect fairly the required financial information of the Company as at 31 December 2011. Information and data contained herein is the responsibility of the Company's management.



Mr. An Bun Hak
Chairman

Date: 20 April 2012

**APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES
ON COMPLIANCE WITH THE NBC'S PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2011**

NET WORTH

In accordance with the NBC's *Prakas* No. B7-00-47 dated 16 February 2000 amended by *Prakas* No. B7-07-132 dated 27 August 2007; the Company should maintain a permanent net worth value to at least equal to its paid-up share capital. The Company's net worth as at 31 December 2011 was calculated as follows:

	2011		2010
	USD	KHR'000	USD
CATEGORY A ITEMS			
Paid-up capital	800,000	3,231,200	410,000
Reserves other than re-evaluation reserves	35,379	142,895	11,854
Share premiums	-	-	-
Provision for general banking risks	-	-	-
Retained earnings	-	-	45,284
Current year earnings / (losses)	82,808	334,462	94,673
Other items approved by NBC	-	-	-
SUB-TOTAL A	918,187	3,708,557	561,811
CATEGORY B ITEMS			
Holding of own shares	-	-	-
Accumulated losses	-	-	-
Intangible assets	-	-	-
Loss determined on dates other than year-end	-	-	-
SUB-TOTAL B	-	-	-
C. BASE NET WORTH (A-B)	918,187	3,708,557	561,811
CATEGORY D ITEMS			
Revaluation reserve	-	-	-
Subordinated debts	-	-	-
Other items approved by the NBC	-	-	-
SUB-TOTAL D	-	-	-
CATEGORY E ITEMS			
Equity participation in banking or financial institutions	-	-	-
Other items	-	-	-
SUB-TOTAL E	-	-	-
F. TOTAL NET WORTH (C+D-E)	918,187	3,708,557	561,811

**APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES
ON COMPLIANCE WITH THE NBC'S PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2011**

SOLVENCY RATIO

In accordance with the NBC's *Prakas* No. B 7-00-06 dated 11 January 2000 amended by *Prakas* No. B7-07-133 dated 27 August 2007; all micro-finance institutions shall observe a solvency ratio which is the ratio of their net worth to their aggregate credit risk exposure. The result found shall not be less than 15 percent. As at 31 December 2011, the Capital Adequacy Ratio of the Company is **34.04%**.

		2011		2010
		USD	KHR'000	USD
	Weightings			
NUMERATOR				
A. Net worth as at 31 December		<u>918,187</u>	<u>3,708,557</u>	<u>561,811</u>
DENOMINATOR				
Cash in hand	0%	-	-	-
Deposits with the NBC	0%	-	-	-
Claims on sovereign rated AAA to AA-	0%	-	-	-
Claims on sovereign rated A+ to A-	20%	-	-	-
Claims on bank rated AAA to AA-	20%	-	-	-
Claims on sovereign rated BBB+ to BBB-	50%	-	-	-
Claims on banks rated A+ to A-	50%	-	-	-
Other assets	100%	2,697,448	10,894,994	2,131,901
Off-balance sheet items	100%	-	-	-
B. Total risk-weighted assets		<u>2,697,448</u>	<u>10,894,994</u>	<u>2,131,901</u>
CAPITAL ADEQUACY RATIO (A/B)		<u>34.04%</u>	<u>34.04%</u>	<u>26.35%</u>

**APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES
ON COMPLIANCE WITH THE NBC'S PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2011**

LIQUIDITY RATIO

In accordance with the NBC's *Prakas* No. B 7-00-38 dated 9 February 2000 amended by *Prakas* No. B 7-02-48 dated 25 February 2002; micro-finance institutions are required to calculate a liquidity ratio which should be at least 100%. Details of calculations are shown below.

	2011		2010
	USD	KHR'000	USD
A. NUMERATOR			
<i>Debit items:</i>			
Cash	20,238	81,741	7,455
Deposits with the NBC excluding statutory deposits	416	1,680	396
Deposits with banks	63,267	255,536	46,696
Portion of lending to banks and financial institutions with maturity up to one month	-	-	-
Portion of lending to customers up to 1 month to run	-	-	-
Treasury bill with maturity up to one month	-	-	-
Total debit items	83,921	338,957	54,547
<i>Credit items:</i>			
Sight accounts with NBC, banks and financial institutions	-	-	-
Borrowings from NBC and banks less than one month to run	-	-	-
Total credit items	-	-	-
TOTAL A. Lender / (Borrower) position	83,921	338,957	54,547
B. DENOMINATOR			
Voluntary saving deposits at 25%	-	-	-
TOTAL B	-	-	-
Liquidity ratio (A/B)	N/A		N/A

**APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES
ON COMPLIANCE WITH THE NBC'S PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2011**

LOAN CLASSIFICATION AND PROVISION FOR BAD AND DOUBTFUL DEBTS

In accordance with the NBC's *Prakas* No. B 7-02-186 dated 13 September 2002; micro-finance institutions shall classify their loan portfolio into four classes defined as standard, substandard, doubtful and loss, and record specific provisions regardless of the assets (except cash) lodged as collateral. The loan classification and provision for bad and doubtful debts as at 31 December 2011 are as follows:

	Principal Loans USD	% of Provision %	NBC's Standard USD	Company's Provision USD	Difference USD
At 31 December 2011					
Standard	2,552,227	0%	-	-	-
Sub-standard	2,448	10%	245	245	-
Doubtful	419	30%	125	125	-
Loss	2,345	100%	2,345	2,345	-
	2,557,439		2,715	2,715	-
Equivalents in KHR'000					
	KHR'000	%	KHR'000	KHR'000	KHR'000
Standard	10,308,444	0%	-	-	-
Sub-standard	9,887	10%	990	990	-
Doubtful	5,610	30%	505	505	-
Loss	5,554	100%	9,471	9,471	-
	10,329,495		10,966	10,966	-
At 31 December 2010					
Standard	2,044,614	0%	-	-	-
Sub-standard	1,652	10%	165	165	-
Doubtful	1,840	30%	552	552	-
Loss	1,260	100%	1,260	1,260	-
	2,049,366		1,977	1,977	-

**APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES
ON COMPLIANCE WITH THE NBC'S PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2011**

FOREIGN CURRENCY TRANSACTIONS

In accordance with the NBC's *Prakas* B7-00-50 dated 9 February 2000, the Company is required to disclose a summary of assets and liabilities at the balance sheet date in their source currencies which was as follows:

	2011		2010
	USD	KHR'000	USD
	or Equivalents	or Equivalents	or Equivalents
Assets:			
US Dollar	2,762,682	11,158,472	2,195,078
Khmer Riel	-	-	-
	<u>2,762,682</u>	<u>11,158,472</u>	<u>2,195,078</u>
Liabilities:			
US Dollar	1,844,495	7,449,915	1,633,267
Khmer Riel	-	-	-
	<u>1,844,495</u>	<u>7,449,915</u>	<u>1,633,267</u>

No hedging was recognised in the above balances.

**APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER NOTES
ON COMPLIANCE WITH THE NBC'S PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2011**

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

- **Minimum capital** (*Prakas B7-00-06* dated 11 January 2000)

The Company's paid-up capital at the balance sheet date is USD 800,000 (equivalent to approximately KHR 3.231 billion as at 31 December 2011).

- **Large exposures** (*Prakas B7-06-226* dated 3 November 2006)

Under the provisions of Prakas No. B7-06-226 dated 3 November 2006, all micro-finance institutions are required to maintain at all times a maximum ratio of 10% between their overall exposure resulting from their operations with each individual beneficiary and their net worth.

The Company has no large exposures at the balance sheet date.