

MAXIMA MIKROHERANVATHO Co., Ltd.

MICRO FINANCE INSTITUTION

(Incorporated in the Kingdom of Cambodia)

FINANCIAL STATEMENTS

AND

**REPORT OF INDEPENDENT AUDITORS
FOR THE YEAR ENDED 31 DECEMBER 2007**

MAXIMA MIKROHERANHVATHO Co., Ltd.

(Incorporated in the Kingdom of Cambodia)

Financial statements for the year ended 31 December 2007

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MAXIMA MIKROHERANHVATHOCO., LTD

ផ្ទះលេខ ៣៩ ផ្លូវលេខ ៣៧៤ សង្កាត់ទួលស្វាយ ព្រៃ១ ខ័ណ្ឌចំការមន 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 THE BOARD OF DIRECTORS

We, the directors of Maxima Mikroheranhvatho Co., Ltd., (the “Company”) do hereby state that in our opinion:

- i) The results of the operations of the Company for the financial year ended 31 December 2007 have not been materially affected by any item, transaction and event of any material and unusual nature nor has any such item, transaction and event occurred in the interval between the end of the financial year and the date of this report other than as disclosed in the financial statements, and
- ii) The accompanying financial statements of the Company have been drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2007 and of the results of its operations and cash flows for the year ended on that date, in accordance with the guidelines of the National Bank of Cambodia and Cambodian Accounting Standards.

On behalf of the Board of Directors



Mr Uong Kimseng
Chairman

Date: 23 April 2008

Mr An Bunhak
Vice Chairman

Date: 23 April 2008

REPORT OF INDEPENDENT AUDITORS TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF MAXIMA MIKROHERANHVATHO Co., Ltd.

We have audited the accompanying balance sheet of Maxima Mikroheranhvatho Co., Ltd., (the "Company") as at 31 December 2007, and the related statements of income, changes in equity, and cash flows 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 Cambodian Accounting Standards and the guidelines issued by the National Bank of Cambodia. 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 Standards on Auditing 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 the 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.

(Continued)

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**REPORT OF INDEPENDENT AUDITORS TO THE SHAREHOLDERS AND
BOARD OF DIRECTORS OF MAXIMA MIKROHERANHVATHO Co., Ltd.**
(Continued)


Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2007 and of the results of its operations and its cash flows for the year then ended, in accordance with the NBC's guidelines and Cambodian Accounting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 11 to the financial statements which indicated that there is no provision for tax liabilities to take into account the effect of expenses included in the statement of income which may not be allowed as deduction by the Tax Department for tax purposes.

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


Saksom Meas
Managing Partner



Morison Kak & Associés
Certified Public Accountants
Registered Auditors

Date: 23 April 2008

BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007		2006
		USD	KHR'000	USD
ASSETS				
Cash in hand		4,559	18,250	22,757
Balances with banks inside Cambodia	4	59,745	239,159	11,124
Balances with central bank		140	560	21
Statutory deposits with central bank	5	20,550	82,262	3,500
Loans and advances to customers	6	805,722	3,225,306	657,885
Deposit in registered stock shares of Consortio ETIMOS		654	2,615	654
Property and equipment	7	20,783	83,196	9,065
Other assets	8	8,060	32,264	4,534
TOTAL ASSETS		920,213	3,683,612	709,540
LIABILITIES AND SHAREHOLDERS' FUNDS				
CURRENT LIABILITIES				
Deposits from non-bank customers	9	99,495	398,278	103,840
Loans from local bank	10	200,000	800,600	230,000
Provision for income tax	11	4,428	17,725	5,002
Other liabilities	12	14,334	57,379	10,049
TOTAL CURRENT LIABILITIES		318,257	1,273,982	348,891
LONG-TERM BORROWINGS	13	296,919	1,188,567	148,834
TOTAL LIABILITIES		615,176	2,462,549	497,725
SHAREHOLDERS' FUNDS				
Share capital	14	270,000	1,080,810	70,000
Subordinated debt		-	-	115,000
Retained earnings		29,384	117,624	22,425
Capital reserve		5,653	22,629	4,390
TOTAL SHAREHOLDERS' FUNDS		305,037	1,221,063	211,815
TOTAL LIABILITIES & SHAREHOLDERS' FUNDS		920,213	3,683,612	709,540

Signed and authorised for release on behalf of the Board



Mr Uong Kimseng
Chairman

Date: 23 April 2008

Mr An Bunhak
Vice Chairman

Date: 23 April 2008

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

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007		2006
		USD	KHR'000	USD
Interest income	15	226,279	905,795	183,704
Interest expense	16	(44,526)	(178,238)	(38,818)
Net interest income		181,753	727,557	144,886
Non-interest income	17	6,819	27,296	1,843
Payroll and other staff costs		(64,226)	(257,097)	(50,205)
Depreciation of property and equipment		(5,608)	(22,449)	(5,975)
Other operating expenses	18	(78,868)	(315,709)	(60,556)
Operating profit before provision for impairment		39,870	159,598	29,993
Provision for impairment losses		(3,745)	(14,991)	(2,693)
Profit before income tax		36,125	144,607	27,300
Income tax expense		(6,759)	(27,056)	(6,855)
Net profit after income tax		29,366	117,551	20,445

Signed and authorised for release on behalf of the Board



Mr Uong Kimseng
Chairman

Date: 23 April 2008

Mr An Bunhak
Vice Chairman

Date: 23 April 2008

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

	Share capital USD	Subordinated debt USD	Capital reserve USD	Retained earnings USD	Total USD
Balance at 1 January 2006	70,000	117,916	-	2,084	190,000
Subordinated debt proceeds	-	1,370	-	-	1,370
Transfer to capital reserve	-	(4,286)	4,286	-	-
Transfer of retained earnings to reserve	-	-	104	(104)	-
Net profit for the year	-	-	-	20,445	20,445
Balance as at 31 December 2006	70,000	115,000	4,390	22,425	211,815
Balance as at 1 January 2007	70,000	115,000	4,390	22,425	211,815
Subordinated debt proceeds	-	63,856	-	-	63,856
Capitalisation of retained earnings	21,144	-	-	(21,144)	-
Transfer to share capital	178,856	(178,856)	-	-	-
Transfer of retained earnings to reserve	-	-	1,263	(1,263)	-
Net profit for the year	-	-	-	29,366	29,366
Balance as at 31 December 2007	270,000	-	5,653	29,384	305,037
<i>Balance as at 31 December 2007 (KHR'000 equivalents)</i>	<i>1,080,810</i>	<i>-</i>	<i>22,629</i>	<i>117,624</i>	<i>1,221,063</i>

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007

	2007		2006
	USD	KHR'000	USD
Cash flows from operating activities			(As restated)
Profit before income tax	36,125	144,607	27,300
<i>Adjustments for:</i>			
Depreciation of property and equipment	5,608	22,449	5,975
Property and equipment written off	-	-	1,161
Operating profit before working capital changes	41,733	167,056	34,436
Increase / (decrease) in cash attributable to changes in working assets and liabilities:			
Loans and advances	(147,837)	(591,792)	(268,895)
Statutory deposits with NBC	(17,050)	(68,251)	-
Deposit in registered stock shares of Consorzio ETIMOS	-	-	(654)
Other assets	(3,526)	(14,115)	1,716
Deposits from non-bank customers	(4,345)	(17,393)	57,650
Loans from local bank	(30,000)	(120,090)	30,000
Other liabilities	4,285	17,153	10,049
Cash used in operating activities	(156,740)	(627,432)	(130,696)
Income tax paid	(7,334)	(29,357)	(6,855)
Net cash used in operating activities	(164,074)	(656,789)	(137,551)
Cash flows from investing activities			
Purchases of property and equipment	(17,326)	(69,356)	(3,721)
Net cash used in investing activities	(17,326)	(69,356)	(3,721)
Cash flows from financing activities			
Repayments of long-term borrowings	(64,501)	(258,198)	(1,167)
Proceeds from long-term borrowings	212,587	850,986	100,000
Subordinated debts proceeds	63,856	255,616	1,370
Net cash generated from financing activities	211,942	848,404	100,204

(Continued)

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007
(CONTINUED)**

	2007		2006
	USD	KHR'000	USD
Net changes in cash and cash equivalents	30,542	122,259	(41,068)
Cash and cash equivalents at beginning of year	33,902	135,710	74,970
Cash and cash equivalents at end of year	64,444	257,969	33,902
<i>Represented by:</i>			
Cash in hand	4,559	18,250	22,757
Balances with banks inside Cambodia	59,745	239,159	11,124
Balances with central bank	140	560	21
	64,444	257,969	33,902

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1. General

Maxima Mikroheranvatho Co., Ltd. (the “Company”), - formerly known as Maxima Organization for Household Economic Development (the “Institution”) -, was incorporated with the Ministry of Commerce on 27 July 2005 and obtained its licence from the National Bank of Cambodia (“NBC”) to operate as a micro finance institution on 9 August 2005.

The Company’s vision is to bring together people and businesses to build a better community through providing adequate loans and better financial services to low income clients in individuals, group and small and medium enterprises (SMEs), in particular women-headed households and mobilising savings among its clients.

Under the micro finance licence, the Company is authorised to grant credit and saving services to poor and low-income households and small enterprises operating in the Kingdom of Cambodia.

The head office is located in Phnom Penh at No.39, Street 374, Sangkat Toul Svay Prey I, Khan Chamkarmon and as at 31 December 2007, the Company employed 24 employees (31 December 2006: 23 employees).

2. 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, Cambodian Accounting Standards and practice within the micro-finance industry. Those principles require that financial instruments be carried at cost less provision for impairment. 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 presentation of financial statements in conformity with Cambodian Accounting Standards requires the Management to make the best estimates and reasonable assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on the information available as of the date of the financial statements. Actual results, therefore, could differ from those estimates.

The accompanying financial statements are prepared for jurisdiction of Cambodia and are not intended to present the financial position and results of operations 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.

2. Basis of preparation (continued)

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 Management has determined the USD to be the Company’s measurement and functional 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 = 4,003 KHR (31 December 2006: KHR 4,057). Such conversions 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.

3. Significant accounting policies

3.1 Transactions in foreign currencies

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.

3.2 Cash on hand and balances with banks

Cash on hand and balances with banks comprise of cash and bank balances which are subject to an insignificant risk of change in value.

3.3 Statutory deposits with central bank

Statutory deposits represent mandatory reserve deposits and cash maintained with the NBC in compliance with the Law on Banking and Financial Institutions (“LBFI”) and are not available to finance the Company 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.

3.4 Loans and advances to customers

Loans originated by the Company by providing money directly to the borrowers are categorised as loans and advances and are carried at cost, less provisions for impairment.

3. Significant accounting policies (continued)

3.5 Provisions for loan impairment

Provisions for loan impairment is based on the latest NBC guidelines and is made with regard to specific risks on loans individually reviewed and classified as substandard, doubtful or loss regardless of the assets (except cash) lodged as collateral.

NBC guidelines require the following loan classification and level of provisioning:

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

3.6 Interest income

Interests earned on loans and bank savings deposits are recognised on a cash basis.

3.7 Interest and fee expenses

Interest expense on deposits from borrowers is recognised on a cash basis. Interest expense on borrowed fund is recognised on an accrual basis.

3.8 Property and equipment

Property and equipment is stated at cost less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets at the following rates per annum:

	Jan to Jun 07	Jul to Dec 07
Leasehold improvements	20%	50%
Office equipment, furniture and fixtures	20%	25%
Computer & IT equipment	50%	50%
Motor vehicles	25%	25%

Maintenance and repairs that do not extend the useful lives of assets are expensed in the year in which they are incurred.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

3. Significant accounting policies (continued)

3.9 Other provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligation can be made.

3.10 Income tax

Income tax is calculated on the basis of taxable profit, which is calculated by adjusting the financial result for certain expense items (such as costs of representation, over/under depreciation, etc.) in accordance with Cambodian regulations. Taxes other than on income are recorded within operating expenses.

Provision is made, where material, for deferred taxation in respect of timing difference arising from the recognition of items of income and expenditure in the financial statements on bases different from that used for taxation purposes.

3.11 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.

4. Balances with banks inside Cambodia

	2007		2006
	USD	KHR'000	USD
Current account at RDB	141	564	776
Savings account at Canadia Bank Plc (*)	59,604	238,595	10,348
	<u>59,745</u>	<u>239,159</u>	<u>11,124</u>

(*) Savings account at Canadia Bank Plc earns interests at 0.75% per annum.

5. Statutory deposits with central bank

	2007		2006
	USD	KHR'000	USD
Statutory deposit on capital, interest bearing (*)	13,500	54,041	3,500
Customer's reserve deposit, non-interest bearing	7,050	28,221	-
	<u>20,550</u>	<u>82,262</u>	<u>3,500</u>

5. Statutory deposits with central bank (continued)

(*) This represents 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.

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.

6. Loans and advances to customers

	2007		2006
	USD	KHR'000	USD
Loans to customers	806,167	3,227,087	660,577
	806,167	3,227,087	660,577
Provisions for doubtful debts – Specific (*)	(445)	(1,781)	(2,692)
	<u>805,722</u>	<u>3,225,306</u>	<u>657,885</u>

(*) Movements in provisions for impairment losses are as follows:

	2007		2006
	USD	KHR'000	USD
At beginning of the year	2,692	10,776	-
Provisions during the year	3,745	14,991	2,692
Write off during the year	(5,992)	(23,986)	-
At end of year	<u>445</u>	<u>1,781</u>	<u>2,692</u>

Further classification is as follows:

	2007		2006
	USD	KHR'000	USD
Standard loans:			
- Secured	804,083	3,218,744	657,885
- Unsecured	-	-	-
Substandard loans:			
- Secured	1,720	6,885	-
- Unsecured	-	-	-
Doubtful loans:			
- Secured	130	520	-
- Unsecured	-	-	-
Loss loans:			
- Secured	234	937	2,692
- Unsecured	-	-	-
	<u>806,167</u>	<u>3,227,087</u>	<u>660,577</u>

6. Loans and advances to customers (continued)

Further analysis of the above loans and advances is provided below:

	2007		2006
	USD	KHR'000	USD
(a) By maturity period:			
Within six months	-	-	-
Seven to twelve months	415,073	1,661,538	-
Twelve to twenty months	391,094	1,565,549	660,577
	<u>806,167</u>	<u>3,227,087</u>	<u>660,577</u>
(b) By security:			
Secured	806,167	3,227,087	660,577
Unsecured	-	-	-
	<u>806,167</u>	<u>3,227,087</u>	<u>660,577</u>
(c) By currency denomination:			
US Dollar	806,167	3,227,087	660,577
Khmer Riel	-	-	-
	<u>806,167</u>	<u>3,227,087</u>	<u>660,577</u>
(d) By status of residence:			
Residents	<u>806,167</u>	<u>3,227,087</u>	<u>660,577</u>
(e) By relationship:			
Non-related parties	<u>806,167</u>	<u>3,227,087</u>	<u>660,577</u>
(f) By economic sectors:			
Agriculture	154,654	619,080	183,220
Household/Family	324,208	1,297,805	272,688
Services	123,131	492,893	91,413
Trade	204,174	817,309	113,256
	<u>806,167</u>	<u>3,227,087</u>	<u>660,577</u>
(g) By large exposures			
Non-large exposures	<u>806,167</u>	<u>3,227,087</u>	<u>660,577</u>

7. Property and equipment

	Leasehold improvements	Office equipment & furniture	Motor vehicles	Computer & IT equipment	Total
Cost	USD	USD	USD	USD	USD
At 1 January 2007	681	13,658	7,839	-	22,178
Additions	1,475	7,865	4,590	3,396	17,326
Adjustment	-	(2,548)	-	2,548	-
Disposals	(681)	(7,627)	-	-	(8,308)
At 31 December 2007	<u>1,475</u>	<u>11,348</u>	<u>12,429</u>	<u>5,944</u>	<u>31,196</u>
Accumulated depreciation					
At 1 January 2007	556	9,061	3,496	-	13,113
Charges for the year	262	2,855	2,104	387	5,608
Adjustment	-	(915)	-	915	-
Disposals	(681)	(7,627)	-	-	(8,308)
At 31 December 2007	<u>137</u>	<u>3,374</u>	<u>5,600</u>	<u>1,302</u>	<u>10,413</u>
Net book value					
At 31 December 2007	<u>1,338</u>	<u>7,974</u>	<u>6,829</u>	<u>4,642</u>	<u>20,783</u>
At 31 December 2006	<u>125</u>	<u>4,597</u>	<u>4,343</u>	<u>-</u>	<u>9,065</u>
Depreciation charge for 2006	<u>53</u>	<u>3,216</u>	<u>2,231</u>	<u>475</u>	<u>5,975</u>

7. Property and equipment (continued)

<i>Equivalents in KHR'000</i>	Leasehold improvements KHR'000	Office equipment & furniture KHR'000	Motor vehicles KHR'000	Computer & IT equipment KHR'000	Total KHR'000
Cost					
At 1 January 2007	2,726	54,673	31,380	-	88,779
Additions	5,904	31,484	18,374	13,595	69,357
Adjustment	-	(10,200)	-	10,200	-
Disposals	(2,726)	(30,531)	-	-	(33,257)
At 31 December 2007	<u>5,904</u>	<u>45,426</u>	<u>49,754</u>	<u>23,795</u>	<u>124,879</u>
Accumulated depreciation					
At 1 January 2007	2,226	36,271	13,994	-	52,491
Charge for the year	1,049	11,429	8,422	1,549	22,449
Adjustment	-	(3,664)	-	3,664	-
Disposals	(2,726)	(30,531)	-	-	(33,257)
At 31 December 2007	<u>549</u>	<u>13,505</u>	<u>22,416</u>	<u>5,213</u>	<u>41,683</u>
Net book value					
At 31 December 2007	<u>5,355</u>	<u>31,921</u>	<u>27,338</u>	<u>18,582</u>	<u>83,196</u>
At 31 December 2006	<u>500</u>	<u>18,402</u>	<u>17,386</u>	<u>-</u>	<u>36,288</u>
Depreciation charge for 2006	<u>212</u>	<u>12,874</u>	<u>8,931</u>	<u>1,901</u>	<u>23,918</u>

8. Other assets

	2007		2006
	USD	KHR'000	USD
Amount due from Appui au Développement Autonome	-	-	2,394
Prepayment on house rental	6,600	26,420	-
Advances to staff	1,460	5,844	2,140
	<u>8,060</u>	<u>32,264</u>	<u>4,534</u>

9. Deposits from non-bank customers

	2007		2006
	USD	KHR'000	USD
Fixed deposits	-	-	103,840
Saving deposits	99,495	398,278	-
	<u>99,495</u>	<u>398,278</u>	<u>103,840</u>

a) Further analysis is as follows:

	2007		2006
	USD	KHR'000	USD
(i) By maturity period:			
Within one month	-	-	-
One to six months	-	-	50,340
Six to twelve months	-	-	53,500
	<u>-</u>	<u>-</u>	<u>103,840</u>
(ii) By type of customers:			
Individuals	99,495	398,278	103,840
Legal entities	-	-	-
	<u>99,495</u>	<u>398,278</u>	<u>103,840</u>
(iii) By status of residence:			
Residents	99,495	398,278	100,930
Non residents	-	-	2,910
	<u>99,495</u>	<u>398,278</u>	<u>103,840</u>
(iv) By currency denomination:			
US Dollar	99,495	398,278	103,840
Khmer Riel	-	-	-
	<u>99,495</u>	<u>398,278</u>	<u>103,840</u>
(v) By relationship:			
Non related parties	36,550	146,310	86,330
Related parties	62,945	251,968	17,510
	<u>99,495</u>	<u>398,278</u>	<u>103,840</u>

9. Deposits from non-bank customers (continued)

- b) The deposits bear interests at 8.40% per annum for both deposits with maturity of less than one year and more than one year.

10. Loans from local bank

	2007		2006
	USD	KHR'000	USD
At beginning of year	230,000	920,690	200,000
Movements during the year:			
Proceeds from borrowings	200,000	800,600	250,000
Repayments	<u>(230,000)</u>	<u>(920,690)</u>	<u>(220,000)</u>
At end of year	<u>200,000</u>	<u>800,600</u>	<u>230,000</u>

This represents the outstanding balances of four short-term loans contracted from Rural Development Bank, which will mature within one year. Interests charged on these loans are ranging from 9 to 11% per annum.

11. Provision for income tax

	2007		2006
	USD	KHR'000	USD
Balance at beginning of year	5,002	20,023	-
Charge during the year	6,759	27,056	6,855
Taxation paid during the year	<u>(7,333)</u>	<u>(29,354)</u>	<u>(1,853)</u>
Balance at end of year	<u>4,428</u>	<u>17,725</u>	<u>5,002</u>

Tax reconciliation

There is no tax reconciliation by the Company to take into account the effect of expenses included in the statement of income which may not be allowed by the Tax Department as deduction for tax purposes. No provisions have been made in the financial statements for this additional tax liability.

12. Other liabilities

	2007		2006
	USD	KHR'000	USD
Accrued professional fees	1,500	6,005	2,750
Interests payable on long term borrowings	512	2,050	1,223
Accounts payable	766	3,066	1,586
Insurance for staff	2,736	10,952	1,330
Provident fund	<u>8,820</u>	<u>35,306</u>	<u>3,160</u>
	<u>14,334</u>	<u>57,379</u>	<u>10,049</u>

13. Long-term borrowings

	2007		2006
	USD	KHR'000	USD
Borrowings from Appui au Développement Autonome	100,000	400,300	50,000
Borrowings from Consorzio ETIMOS	65,969	264,074	98,833
Borrowings from KIVA	130,950	524,193	-
	<u>296,919</u>	<u>1,188,567</u>	<u>148,833</u>

The loan obtained from Appui au Développement Autonome (“ADA”) - a not-for-profit organisation based in Luxemburg - was contracted on 23 December 2005 for a total amount of USD 100,000; drawn in two equal instalments of USD 50,000 in 2006 and 2007. The loan is to be repaid by quarterly instalments, commencing on 22 March 2006 and ending on 22 December 2009, with a grace period on capital for the first and second instalments.

Two loans of USD 50,000 each were obtained from Consorzio ETIMOS, a financial institution incorporated in Italy. These loans were contracted on 2 May 2006 and 31 October 2006, respectively and are to be repaid in eight quarterly instalments commencing on 2 August 2006 for the first borrowing and in five semi-annually instalments commencing on 2 May 2007 for the second borrowing.

The loan obtained from Kiva Microfunds (“KIVA”) - a non-profit public benefit corporation with a social mission to serve the world’s poor based in California, USA - was contracted on 10 May 2007 through the KIVA Website whereas Maxima (the “Local Lender”) can obtain capital in the form of recoverable grants from individuals and entities (“Kiva clients”) who also access the Website.

These borrowings are charged interests at the following rates per annum:

	2007	2006
	% p.a.	% p.a.
Appui au Développement Autonome (ADA)	8.00 – 9.00	9.00
Consorzio ETIMOS	9.50 – 10.20	9.50 – 10.20

	2007		2006
	USD	KHR'000	USD
Movements on borrowings from ETIMOS:			
At beginning of year	98,833	395,628	-
Movements during the year:			
Proceeds from borrowings	15	60	100,000
Repayments	<u>(32,879)</u>	<u>(131,614)</u>	<u>(1,167)</u>
At end of year	<u>65,969</u>	<u>264,074</u>	<u>98,833</u>

13. Long-term borrowings (continued)

	2007		2006
	USD	KHR'000	USD
Movements on borrowings from KIVA:			
At beginning of year	-	-	-
Movements during the year:			
Proceeds from borrowings	162,572	650,777	-
Repayments	<u>(31,622)</u>	<u>(126,583)</u>	<u>-</u>
At end of year	<u>130,950</u>	<u>524,194</u>	<u>-</u>

14. Share capital

	2007		2006
	USD	KHR'000	USD
Ordinary shares of 40,000 Khmer Riel each:			
Balance at beginning of year	70,000	280,210	70,000
Capital increase during the year	<u>200,000</u>	<u>800,600</u>	<u>-</u>
Balance at end of year	<u>270,000</u>	<u>1,080,810</u>	<u>70,000</u>

Details of the shareholding are as follows:

	2007		2006
	USD	KHR'000	USD
Mr. Uong Kimseng	60,000	240,180	14,000
Mr. An Bunhak	70,000	280,210	14,000
Ms. Sreng Sive Chheng	65,000	260,195	14,000
Mr. Pa Ponnak Rithy	24,000	96,072	14,000
Mr. Chet Chanprasoeur	31,000	124,093	14,000
Mr. Pa Ponnak Kiri	10,000	40,030	-
Mr. Buy Sivantha	<u>10,000</u>	<u>40,030</u>	<u>-</u>
	<u>270,000</u>	<u>1,080,810</u>	<u>70,000</u>

15. Interest income

Interest income is earned from the following sources:

	2007		2006
	USD	KHR'000	USD
Deposits and placements with banks	545	2,182	124
Loans and advances	<u>225,734</u>	<u>903,613</u>	<u>183,580</u>
	<u>226,279</u>	<u>905,795</u>	<u>183,704</u>

16. Interest expense

	2007		2006
	USD	KHR'000	USD
Interest expense on deposits from customers	11,017	44,101	7,975
Interest expense on borrowing fund	33,509	134,137	30,843
	<u>44,526</u>	<u>178,238</u>	<u>38,818</u>

17. Non-interest income

	2007		2006
	USD	KHR'000	USD
Finance charge income	1,761	7,049	1,840
Others	5,058	20,247	3
	<u>6,819</u>	<u>27,296</u>	<u>1,843</u>

18. Other operating expenses

	2007		2006
	USD	KHR'000	USD
Advertising	122	488	368
Company's provident fund contribution expenses	2,840	11,369	1,580
Professional development	4,325	17,313	530
Rental	3,950	15,812	1,200
Audit fee	3,000	12,009	5,696
Licence fee	245	981	242
Telephone and postage fees	3,544	14,187	2,022
Internet fee	2,435	9,747	337
Fee and service expense	11,598	46,427	12,029
Water	289	1,157	285
Electricity	2,019	8,082	1,184
Security	3,057	12,237	2,400
Insurance	1,420	5,684	1,345
Operating expenses	1,279	5,120	1,324
Stationery and office supplies	4,398	17,605	2,279
Travel	356	1,425	4,088
Office expense	3,627	14,519	1,949
Meals, per-diems, & incidental travels	1,699	6,801	2,090
Meal and entertainment	2,214	8,863	1,491
Vehicle gasoline	18,390	73,615	10,152
Vehicle repair & maintenance	882	3,530	657
Payroll tax expense	-	-	277
Other tax	2,593	10,380	290
Donation & gift expense	4,176	16,717	2,523
Other expenses	410	1,641	4,218
	<u>78,868</u>	<u>315,709</u>	<u>60,556</u>

19. Tax interpretation

The Cambodian Tax Department 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 tax offices, the Company may be assessed additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the Tax Department for three years with a possible extension of up to ten years.

20. Comparative figures

Certain comparative figures have been reclassified or restated whenever necessary to accord with the current year presentation.

MAXIMA MIKROHERANHVATHO Co., Ltd.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

21. Liquidity risk

As at 31 December 2007	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	No fixed maturity date	Total
	USD	USD	USD	USD	USD	USD	USD	USD
ASSETS								
Cash in hand	4,559	-	-	-	-	-	-	4,559
Balances with banks inside Cambodia	59,745	-	-	-	-	-	-	59,745
Balances with central bank	140	-	-	-	-	-	-	140
Statutory deposit with central bank	-	-	-	-	-	-	20,550	20,550
Loans and advances to customers	-	-	-	805,722	-	-	-	805,722
Deposit in registered stock shares of Consorzio ETIMOS	-	-	-	-	-	-	654	654
Property and equipment	-	-	-	-	20,783	-	-	20,783
Other assets	-	-	-	8,060	-	-	-	8,060
TOTAL ASSETS	64,444	-	-	813,782	20,783	-	21,204	920,213
LIABILITIES								
Deposits from non-bank customers	-	-	-	99,495	-	-	-	99,495
Loans from local bank	-	-	-	200,000	-	-	-	200,000
Provision for income tax	-	4,428	-	-	-	-	-	4,428
Other liabilities	-	2,778	-	-	-	-	11,556	14,334
Long-term borrowings	-	-	-	-	296,919	-	-	296,919
TOTAL LIABILITIES	-	7,206	-	299,495	296,919	-	11,556	615,176
Net liquidity surplus / (gap) 2007 (USD)	64,444	(7,206)	-	514,287	(276,136)	-	9,648	305,037
<i>Net liquidity surplus / (gap) 2007 (KHR'000)</i>	<i>257,969</i>	<i>(28,846)</i>	<i>-</i>	<i>2,058,691</i>	<i>(1,105,372)</i>	<i>-</i>	<i>38,621</i>	<i>1,221,063</i>
As at 31 December 2006								
Total assets	33,901	-	-	662,419	9,065	-	4,154	709,540
Total liabilities	-	8,975	51,926	283,500	148,833	-	4,490	497,724
Net liquidity surplus / (gap) 2006 (USD)	33,901	(8,975)	(51,926)	378,919	(139,768)	-	(336)	211,816

FOR THE NATIONAL BANK OF CAMBODIA USE ONLY

**SUPPLEMENTARY FINANCIAL INFORMATION
AND OTHER DISCLOSURES REQUIRED
BY THE NATIONAL BANK OF CAMBODIA**

**Ratio and information contained in this section have been extracted from data
contained in the audited financial statements for the year ended 31 December 2007.**



ម៉ាកស៊ីម៉ា មីក្រូហិរញ្ញវត្ថុ

MAXIMA MIKROHERANHVATHOCO., LTD

ផ្ទះលេខ ៣៩ ផ្លូវលេខ ៣៧៤ សង្កាត់ទួលស្វាយ ព្រៃ១ ខ័ណ្ឌចំការមន 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 THE BOARD OF DIRECTORS

We, the undersigned, being two of the directors of Maxima Mikroheranhvatho Co., Ltd., 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 2007. Information and data contained herein is the responsibility of the Company's management.

On behalf of the Board of Directors



Mr Uong Kimseng
Chairman

Date: 23 April 2008

Mr An Bunhak
Vice Chairman

Date: 23 April 2008

NET WORTH AS AT 31 DECEMBER 2007

In accordance with the NBC's *Prakas* No. B-7-00-47 dated 16 February 2000; the Company should maintain a permanent net worth value equivalent to at least its paid-up share capital. The Company's net worth as at 31 December 2007 was calculated as follows:

	2007		2006
	USD	KHR'000	USD
CATEGORY A ITEMS			
Paid-up capital	270,000	1,080,810	70,000
Reserves other than re-evaluation reserves	5,653	22,629	4,390
Share premiums	-	-	-
Provision for general banking risks	-	-	-
Retained earnings	29,384	117,624	22,425
Current year earnings / (losses)	-	-	-
Other items approved by NBC	-	-	-
SUB-TOTAL A	305,037	1,221,063	96,815
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)	305,037	1,221,063	96,815
CATEGORY D ITEMS			
Revaluation reserve	-	-	-
Subordinated debts	-	-	115,000
Other items approved by the NBC	-	-	-
SUB-TOTAL D	-	-	115,000
CATEGORY E ITEMS			
Equity participation in banking or financial institutions	-	-	-
Other items	-	-	-
SUB-TOTAL E	-	-	-
F. TOTAL NET WORTH (C+D-E)	305,037	1,221,063	211,815

LIQUIDITY RATIO AS AT 31 DECEMBER 2007

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.

	2007		2006
	USD	KHR'000	USD
A. NUMERATOR			
<i>Debit items:</i>			
Cash	4,559	18,250	22,757
Deposits with the NBC excluding statutory deposits	140	560	21
Deposits with banks	59,745	239,159	11,124
Portion of lending to bank and financial institutions with maturity up to one month	-	-	-
Portion of lending to customers up to one month to run	-	-	-
Treasury bill with maturity up to one month	-	-	-
Total debit items	64,444	257,969	33,902
<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	64,444	257,969	33,902
B. DENOMINATOR			
Voluntary saving deposits at 25%	24,874	99,570	25,960
TOTAL B	24,874	99,570	25,960
Liquidity ratio (A/B)	259%		131%

CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2007

In accordance with the NBC's *Prakas* No. B 7-00-06 dated 11 January 2000 amended by *Prakas* No. B 7-07-133 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 per cent.

	Weightings	2007		2006
		USD	KHR'000	USD
NUMERATOR				
A. Net worth as at 31 December		<u>305,037</u>	<u>1,221,063</u>	<u>211,815</u>
DENOMINATOR				
Cash in hand	0%	-	-	-
Deposits with the NBC	0%	-	-	-
Claims on banks rated AAA to AA-	20%	-	-	-
Claim on banks rated A+ to A-	50%	-	-	-
Other assets	100%	894,464	3,582,541	683,262
Off-balance sheet items				
Full risk	100%	-	-	-
Medium risk	50%	-	-	-
Moderate risk	20%	-	-	-
B. Total risk-weighted assets		<u>894,964</u>	<u>3,582,541</u>	<u>683,262</u>
CAPITAL ADEQUACY RATIO (A/B)		<u>34%</u>		<u>31%</u>

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 2007 were as follows:

	Principal Loans USD	% of Provision %	NBC's Standard USD	Company's Provision USD	Difference USD
At 31 December 2007					
Standard	804,083	0%	-	-	-
Substandard	1,720	10%	172	172	-
Doubtful	130	30%	39	39	-
Loss	234	100%	234	234	-
	806,167		445	445	-
Equivalents in KHR'000	KHR'000	%	KHR'000	KHR'000	KHR'000
Standard	3,218,744	0%	-	-	-
Substandard	6,885	10%	689	689	-
Doubtful	520	30%	156	156	-
Loss	937	100%	937	937	-
	3,227,086		1,781	1,781	-
At 31 December 2006					
	USD	%	USD	USD	USD
Standard	657,885	0%	-	-	-
Substandard	-	10%	-	-	-
Doubtful	-	30%	-	-	-
Loss	2,692	100%	2,692	2,692	-
	660,577		2,692	2,692	-

**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 270,000 (equivalent to approximately KHR 1,080 million).

▪ **Large exposures** (*Prakas* B7-00-06 dated 11 January 2000)

Under the provisions of *Prakas* No. B7-00-06 dated 11 January 2000, 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.