MAXIMA MIKROHERANHVATHO PLC.

Financial Statements
for the year ended 31 December 2013
and
Report of the Independent Auditors

Corporate Information

Company	Maxima Mikroheranhvatho Plc.
Registration No	Co. 7897/05P
Registered office	#21AB, St. 271 Sangkat Phsar Doeum Thkov Khan Chamkamorn Phnom Penh, Cambodia
Shareholders	Ms. Sarun Vithourat Ms. Sreng Sive Chheng Mr. An Bun Hak Mr. Uong Kimseng Mr. Chet Chan Prasoeur Mr. Pa Ponnak Rithy Ms. Buy Sivantha Mr. Pa Ponnak Rithy (staff representative)
Board of Directors	Mr. An Bun Hak, Non-Executive Director/Chairman Mr. Uong Kimseng, Executive Director (resigned on 31 December 2013) Ms. Sreng Sive Chheng, Executive Director Mr. Chet Chan Prasoeur, Non-Executive Director Mr. Pa Ponnak Rithy, Executive Director Mr. Yean Rithy, Executive Director/Independent Board Member
Management team	Mr. Si Len, Chief Executive Officer (appointed on 11 September 2013) Mr. Uong Kimseng, Chief Executive Officer (resigned on 31 December 2013) Mr. Pa Ponnak Rithy, Deputy Chief Executive Officer Ms. Sreng Sive Chheng, Chief Financial Officer Mr. Ear Sokry, Credit Manager Mr. Khean Darith, IT Manager
Auditors	KPMG Cambodia Ltd

Maxima Mikroheranhvatho Plc.

Contents

Report of the Board of Directors

The Board of Directors has pleasure in submitting their report together with the audited financial statements of Maxima Mikroheranhvatho Plc. ("the Company") for the year ended 31 December 2013.

Principal activities

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

Financial results

The financial results of the Company for the year ended 31 December 2013 were as follows:

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
Profit before income tax	155,544	621,398	85,631	342,095
Income tax expense	(36,649)	(146,413)	(23,961)	(95,724)
Net profit for the year	118,895	474,985	61,670	246,371

Reserves and provisions

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

Dividends

During the financial year, the Company declared and paid dividends amounting to US$11,717 in respect of the prior year's net profit.

Share capital

During the year, there have been no changes in the registered and paid up share capital of the Company.

Maxima Mikroheranhvatho Plc

Report of the Board of Directors (continued)

Bad and doubtful loans

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

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

Current assets

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

At the date of this report, 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.

Valuation methods

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

Contingent and other liabilities

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

(a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(b) any contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of its business operations.

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

Maxima Mikroheranhvatho Plc

Report of the Board of Directors (continued)

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.

Items of an unusual nature

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

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

Events since the reporting date

At the date of this report, except as disclosed in the financial statements, there have been no significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the financial statements.

The Board of Directors

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

- Mr. An Bun Hak — Non-Executive Director/Chairman
- Mr. Uong Kimseng — Executive Director/CEO (resigned on 31 December 2013)
- Ms. Sreng Sive Chheng — Executive Director/CFO
- Mr. Chet Chan Prasoeur — Non-Executive Director
- Mr. Pa Ponnak Rithy — Executive Director/DCEO (Staff representative)
- Mr. Yean Rithy — Executive Director/Independent Board Member

Maxima Mikroheranhvatho Plc

Report of the Board of Directors (continued)

Directors' interests

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

	2013		2012	
	Holding %	Number of shares of US$10 each	Holding %	Number of shares of US$10 each
Mr. An Bun Hak	20.53%	27,000	20.53%	27,000
Mr. Uong Kimseng	11.41%	15,000	11.41%	15,000
Ms. Sreng Sive Chheng	27.38%	36,000	27.38%	36,000
Mr. Chet Chan Prasoeur	3.80%	5,000	3.80%	5,000
Mr. Pa Ponnak Rithy	1.27%	1,670	1.27%	1,670
	64.39%	84,670	64.39%	84,670

Directors' benefits

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

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

Responsibilities of the Directors in respect of the financial statements

The Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Directors are required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;

Maxima Mikroheranhvatho Plc

Report of the Board of Directors (continued)

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

- comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- maintain adequate accounting records and an effective system of internal controls;
- 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
- control and direct the Company effectively in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

Approval of the financial statements

I hereby approve the accompanying financial statements which present fairly, in all material respects, the balance sheet of the Company as at 31 December 2013, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

On behalf of the Board of Directors

MAXIMA MICROHERANHVATHO PLC.
KINGDOM OF CAMBODIA

Mr. An Bun Hak
Chairman

Phnom Penh, Kingdom of Cambodia

24 April 2014

KPMG Cambodia Ltd
4th floor, Delano Center
No. 144, Street 169
Sangkat Veal Vong
Khan 7 Makara, Phnom Penh
Kingdom of Cambodia

Telephone +855 (23) 216 899
Fax +855 (23) 217 279
Internet www.kpmg.com.kh

Report of the independent auditors
To the shareholders
Maxima Mikroheranhvatho Plc.

We have audited the accompanying financial statements of Maxima Mikroheranhvatho Plc. ("the Company"), which comprise the balance sheet as at 31 December 2013, and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 8 to 49.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 financial statements present fairly, in all material respects, the financial position of Maxima Mikroheranhvatho Plc. as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements.

Other matter

The financial statements of the Company as at and for the year ended 31 December 2012 were audited by another auditors who expressed an unmodified opinion on those statements on 8 April 2013.

For **KPMG Cambodia Ltd**

KPMG CAMBODIA LTD.

Nge Huy
Audit Partner

Phnom Penh, Kingdom of Cambodia

24 April 2014

Maxima Mikroheranhvatho Plc.

Balance sheet
As at 31 December 2013

	Note	2013 US$	2013 KHR'000 (Note 4)	2012 US$	2012 KHR'000 (Note 4)
ASSETS					
Cash on hand	5	6,947	27,753	16,479	65,834
Deposits and placements with banks	6	175,514	701,179	36,002	143,828
Statutory deposits	7	65,750	262,671	65,750	262,671
Loans to customers	8	3,133,505	12,518,353	3,164,810	12,643,416
Equity investment	9	10,000	39,950	10,000	39,950
Other assets	10	90,125	360,049	77,471	309,496
Property and equipment	11	27,124	108,360	29,961	119,694
Deferred tax assets	12	5,845	23,351	5,112	20,423
TOTAL ASSETS		3,514,810	14,041,666	3,405,585	13,605,312
LIABILITIES AND EQUITY					
Liabilities					
Amounts due to shareholders	13	495,000	1,977,525	475,000	1,897,625
Borrowings	14	1,173,891	4,689,694	1,223,110	4,886,324
Provident benefits	15	61,429	245,409	50,940	203,506
Other liabilities	16	44,526	177,881	36,249	144,814
Provision for income tax	12	32,637	130,385	20,137	80,448
Total Liabilities		1,807,483	7,220,894	1,805,436	7,212,717
Equity					
Share capital	17	1,315,000	5,253,425	1,315,000	5,253,425
Share premium	17	121,025	483,495	121,025	483,495
Reserves		42,603	170,199	39,519	157,878
Retained earnings		228,699	913,653	124,605	497,797
Total Equity		1,707,327	6,820,772	1,600,149	6,392,595
TOTAL LIABILITIES AND EQUITY		3,514,810	14,041,666	3,405,585	13,605,312

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

Maxima Mikroheranhvatho Plc

Income statement
for the year ended 31 December 2013

		2013		2012	
	Note	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
Interest income	18	795,022	3,176,113	781,108	3,120,526
Interest expense	19	(150,190)	(600,009)	(154,678)	(617,939)
Net interest income		644,832	2,576,104	626,430	2,502,587
Other operating income	20	12,452	49,745	12,694	50,713
Operating income		657,284	2,625,849	639,124	2,553,300
General and administrative expenses	21	(500,737)	(2,000,444)	(542,899)	(2,168,882)
Allowances for doubtful loans and advances	8	(1,003)	(4,007)	(10,594)	(42,323)
Profit before income tax		155,544	621,398	85,631	342,095
Income tax expense	12	(36,649)	(146,413)	(23,961)	(95,724)
Net profit for the year		118,895	474,985	61,670	246,371

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

Maxima Mikroheranhvatho Plc

Statement of changes in equity for the year ended 31 December 2013

	Share capital US$	Share premium US$	Reserves US$	Retained earnings US$	Total US$
At 1 January 2012	800,000	-	34,358	83,829	918,187
Additional share capital issued	515,000	-	-	-	515,000
Share premium	-	121,025	-	-	121,025
Dividends paid	-	-	-	(15,733)	(15,733)
Transfer to reserves	-	-	5,161	(5,161)	-
Net profit for the year	-	-	-	61,670	61,670
At 31 December 2012	1,315,000	121,025	39,519	124,605	1,600,149
(KHR'000 equivalents)					
At 31 December 2012	5,253,425	483,495	157,878	497,797	6,392,595
At 1 January 2013	1,315,000	121,025	39,519	124,605	1,600,149
Transfer to reserves	-	-	3,084	(3,084)	-
Dividends paid	-	-	-	(11,717)	(11,717)
Net profit for the year	-	-	-	118,895	118,895
At 31 December 2013	1,315,000	121,025	42,603	228,699	1,707,327
(KHR'000 equivalents) (Note 4)					
At 31 December 2013	5,253,425	483,495	170,199	913,653	6,820,772

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

Maxima Mikroheranhvatho Plc.

Statement of cash flows
for the year ended 31 December 2013

	Note	2013 US$	2013 KHR'000 (Note 4)	2012 US$	2012 KHR'000 (Note 4)
Cash flows from operating activities					
Net cash generated from/(used in) operating activities	22	199,275	796,103	(275,354)	(1,100,039)
Cash flows from investing activities					
Purchase of property and equipment		(8,359)	(33,394)	(15,661)	(62,566)
Net cash used in investing activities		(8,359)	(33,394)	(15,661)	(62,566)
Cash flows from financing activities					
Issued share capital		-	-	515,000	2,057,425
Dividend paid		(11,717)	(46,809)	(15,733)	(62,853)
Share premium		-	-	121,025	483,495
Proceeds from borrowings		584,741	2,336,040	300,000	1,198,500
Repayments of borrowings		(633,960)	(2,532,670)	(660,717)	(2,639,564)
Net cash (used in)/generated from financing activities		(60,936)	(243,439)	259,575	1,037,003
Net increase/(decrease) in cash and cash equivalents		129,980	519,270	(31,440)	(125,602)
Cash and cash equivalents at the beginning of the year		52,481	209,662	83,921	335,264
Cash and cash equivalents at the end of the year	23	182,461	728,932	52,481	209,662

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

1. Reporting entity

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 No. 013 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 No. M.F 013 to the Company. On 2 February 2012, the NBC continuously granted a permanent license No. M.F 013 to the Company with the new name Maxima Mikroheranhvatho Plc.

The Company's vision is to be the leading microfinance institution offering micro-financial services with the highest quality of customer service. Maxima's mission is to offer micro-financial services with an emphasis on lending to rural poor and low-income individuals and groups and small & medium enterprises to improve their living standards and realizing their business goals. The Company's focus is to provide high quality of services to customers with a dedicated and committed team and at the same time create value to satisfy all its stakeholders socially and economically.

The Company operates the micro-finance services with its head office located at house No. 21AB, St. 271, Sangkat Phsar Doeum Thkov, Khan Chamcarmon, Phnom Penh and its branch located in Kandal province.

As at 31 December 2013, the Company had 84 employees (2012: 77 employees).

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Cambodian Accounting Standards ("CAS") and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of financial statements.

The financial statements of the Company were authorised for issue by the Board of Directors on 24 April 2014

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

2. Basis of preparation (continued)

(c) Functional and presentation currency

The Company transacts its business and maintains its accounting records in two currencies, Khmer Riel ("KHR") and United States Dollars ("US$"). Management has determined the US$ to be the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

Transactions in currencies other than US$ are translated into US$ at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US$ at the balance sheet date are translated into US$ at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the income statement.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Significant accounting policies

The significant accounting policies adopted 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.

(a) Financial instruments

The Company's financial assets and liabilities include cash and cash equivalents, originated loans and receivables, deposits, other receivables, borrowings and payables. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

(b) Basis of aggregation

The Company's financial statements comprise the financial statements of the head office and its branches. All inter-branch balances and transactions have been eliminated.

3. Significant accounting policies (continued)

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with original maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

(d) Deposits and placement with banks

Deposits and placements with banks are stated at cost.

(e) Statutory deposits

Statutory deposits are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by defined percentages of minimum share capital and customers' deposits as required by NBC.

(f) Loans to customers

Loans to customers are stated in the balance sheet at the amount of principal outstanding less any amounts written off and specific allowance.

(g) Allowance for bad and doubtful loans

In compliance with the NBC guidelines, a specific allowance for bad and doubtful loans is made on loans that are identified as non-performing as follows:

Classification	Number of days past due	Rate of allowances
Short-term loans (less than one year):		
Sub-standard	31 – 60 days	10%
Doubtful	61 – 90 days	30%
Loss	Over 90 days	100%
Long-term loans (more than one year):		
Sub-standard	31 – 180 days	10%
Doubtful	181 – 360 days	30%
Loss	Over 360 days	100%

3. Significant accounting policies (continued)

(g) Allowance for bad and doubtful loans (continued)

The specific allowance is calculated as a percentage of the loans outstanding at the time the loan is classified, excluding accrual interest and is charged as expense. Interest on non-performing loans is not accrued.

In addition to the specific provision, the amount of provision in excess of defined percentages required by the National Bank of Cambodia ("NBC") is showed as a general allowance (90% of sub-standard loans and 70% of doubtful loans).

Overdue loans

The adequacy of the allowance for bad and doubtful loans is evaluated monthly by management. Factors considered in evaluating the adequacy of the provision include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients, the financial situation of clients and the performance of loans in relation to contract terms.

The provision will be calculated as a percentage of the loan amount outstanding at the time the loan is classified, excluding accrued interest. The provision shall be recorded in the Company's accounts and charged to the income statement for the month during which the corresponding loan has been classified below standard.

Recoveries on loans previously written off and reversal of previous provisions are disclosed as other operating income in the income statement.

(h) Interest in suspense

Interest in suspense represents interest on non-performing loans and advances, that is recorded as a provision rather than income until it is realised on a cash basis.

Interest in suspense is disclosed as a deduction from interest receivables.

(i) Other assets

Other assets are carried at estimated realisable value.

Maxima Mikroheranhvatho Plc.

Notes to the financial statements (continued)
for the year ended 31 December 2013

3. Significant accounting policies (continued)

(j) Property and equipment

(i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

(ii) Depreciation of property and equipment is charged to the income statement on a declining balance basis over the estimated useful lives of the individual assets at the following rates per annum:

(i)	Leasehold improvements	10%-33.33%
(ii)	Office equipment	25%
(iii)	Computer and IT equipment	50%
(iv)	Furniture and fixture	25%
(v)	Motor vehicles	25%

(iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.

(v) Fully depreciated items of property and equipment are retained in the financial statements until disposed of or written off.

(k) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. This does not apply to loans to customers which has a separate accounting policy stated in Note 3(g).

3. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

(l) Borrowings

Borrowings are stated at the amount of the principal outstanding.

Maxima Mikroheranhvatho Plc.

Notes to the financial statements (continued)
for the year ended 31 December 2013

3. Significant accounting policies (continued)

(m) Provident benefits

The Company provides its employees with benefits under the staff provident benefits policy. Employees who complete three months of service with the Company are entitled to participate in the staff provident fund scheme.

The fund is sourced from employees' contribution at 3% of their monthly salary, and the Company contributes 3%. The Company's contribution is charged to the income statement.

The provident benefits will be paid to employees (who have contributed to the fund) upon their retirement, resignation or termination of employment. The employee's contribution is paid in full accordingly.

Those who have been terminated due to serious misconduct are only entitled to his/her contribution, regardless of how long they have been employed by the Company.

(n) Provisions

Provisions are recognised is the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(o) Reserves

Based on the Memorandum and Articles of Association, the Company shall transfer 5% of its net profit after deduction of prior years' losses, if any to this reserves fund. The transfer to this reserve fund shall cease when the reserve fund is equal to 10% of the Company's registered capital.

(p) Dividends

Dividends are recognised in equity in the period in which they are approved by the Company's shareholders.

Dividends for the year that are declared after the balance sheet date are dealt with the subsequent events note.

3. Significant accounting policies (continued)

(q) Income and expense recognition

Interest income on loans is recognised on an accruals basis. Where a loan becomes non-performing, the recording of interest as income is suspended until it is realised on a cash basis. Interest on loans is calculated using the declining balance method on monthly balances of the principal amount outstanding.

Loan administrative fee income is recognised as income when the loan is disbursed to customers. The loan fee income is calculated using the principal and fee rate.

Expenses are recognised on an accrual basis.

(r) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing Company are accounted for as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease commitments are not recognised as liabilities until the obligation to pay becomes due.

(s) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised as a component of shareholders' equity, in which case it is also disclosed as a component of shareholders' equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant accounting policies (continued)

(t) Related parties

Parties are considered to be related to the Company if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Company and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Under the Law on Banking and Financial Institutions, related parties include individuals who hold directly or indirectly a minimum of 10% of the capital of the Company or voting rights therefore, or who participates in the administration, direction, management or the design and implementation of the internal controls of the Company.

4. Translation of United States Dollars into Khmer Riel

The financial statements are stated in United States Dollars ("US$"). The translations of US$ amounts into Khmer Riel ("KHR") are included solely for the compliance with the guidelines of the NBC relating to the preparation and presentation of the financial statements and have been made using the prescribed official exchange rate of US$1: KHR3,995 published by the NBC on 31 December 2013 (31 December 2012: US$1: KHR3,995). These convenient translations are not audited and should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

5. Cash on hand

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
Head office	4,972	19,863	10,764	43,002
Branches	1,975	7,890	5,715	22,832
	6,947	27,753	16,479	65,834

Maxima Mikroheranhvatho Plc.

Notes to the financial statements (continued)
for the year ended 31 December 2013

5. Cash on hand (continued)

The above amounts are analysed by currency as follows:

	2013 US$	2013 KHR'000 (Note 4)	2012 US$	2012 KHR'000 (Note 4)
US Dollars	5,928	23,682	16,313	65,170
Khmer Riel	1,019	4,071	166	664
	6,947	27,753	16,479	65,834

6. Deposits and placements with banks

	2013 US$	2013 KHR'000 (Note 4)	2012 US$	2012 KHR'000 (Note 4)
Current accounts	2,778	11,098	3,918	15,652
Saving accounts	172,736	690,081	32,084	128,176
	175,514	701,179	36,002	143,828

Deposits and placements with banks are analysed as follows:

	2013 US$	2013 KHR'000 (Note 4)	2012 US$	2012 KHR'000 (Note 4)
(a) By currency:				
US Dollars	175,514	701,179	36,002	143,828
(b) By type:				
Current accounts				
National Bank of Cambodia	547	2,185	451	1,802
Acleda Bank Plc.	1,005	4,015	2,336	9,332
Rural Development Bank of Cambodia	99	396	114	455
Canadia Bank Plc.	503	2,009	503	2,009
Maruhan Japan Bank Plc.	624	2,493	514	2,054
	2,778	11,098	3,918	15,652

6. Deposits and placements with banks (continued)

Deposits and placements with banks are analysed as follows: (continued)

	2013 US$	2013 KHR'000 (Note 4)	2012 US$	2012 KHR'000 (Note 4)
(b) By type: (continued)				
Savings accounts				
Acleda Bank Plc.	42,071	168,074	31,843	127,213
Canadia Bank Plc.	130,665	522,007	241	963
	172,736	690,081	32,084	128,176
	175,514	701,179	36,002	143,828
(c) By maturity:				
Within 1 month	175,514	701,179	36,002	143,828

(d) By interest rate (per annum)

	2013	2012
Current accounts	Nil	Nil
Saving accounts	0.50% - 0.75%	0.50% - 0.75%

7. Statutory deposits

	2013 US$	2013 KHR'000 (Note 4)	2012 US$	2012 KHR'000 (Note 4)
Statutory deposits on:				
Registered share capital	65,750	262,671	65,750	262,671

The statutory deposits are maintained with the NBC in compliance with Prakas No. B7-00-006 on the Licensing of Micro-Finance Institutions, the amounts of which are determined at 5% of the Company's registered share capital. The deposit is refundable when the Company voluntarily liquidates and has no deposit liabilities.

This statutory deposit earns interest at the rate of 0.12% (2012: 0.2%) per annum.

8. Loans to customers

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
Individual loans	3,143,838	12,559,633	3,178,400	12,697,708
Group loans	5,375	21,473	1,115	4,454
Loans to customers - gross	3,149,213	12,581,106	3,179,515	12,702,162
Allowances for bad and doubtful loans				
Specific	(9,371)	(37,437)	(2,705)	(10,806)
General	(6,337)	(25,316)	(12,000)	(47,940)
	(15,708)	(62,753)	(14,705)	(58,746)
Loans to customers	3,133,505	12,518,353	3,164,810	12,643,416

The movements in allowances for bad and doubtful loans were as follows:

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
At beginning of year	14,705	58,746	5,212	20,822
Addition during the year	1,003	4,007	10,594	42,323
Written off during the year	-	-	(1,101)	(4,399)
At end of year	15,708	62,753	14,705	58,746

Loans to customers are analysed as follows:

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
(a) By maturity:				
Within 1 month	8,210	32,799	7,405	29,583
>1 to 3 months	28,657	114,485	28,900	115,456
>3 to 12 months	756,413	3,021,870	643,778	2,571,892
> 12 months	2,355,933	9,411,952	2,499,432	9,985,231
	3,149,213	12,581,106	3,179,515	12,702,162

Maxima Mikroheranhvatho Plc.

Notes to the financial statements (continued) for the year ended 31 December 2013

8. Loans to customers (continued)

Loans to customers are analysed as follows:

		2013		2012	
		US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
(b)	By currency:				
	US Dollars	3,149,213	12,581,106	3,179,515	12,702,162
(c)	By economic sector:				
	Household/family	151,691	606,006	269,679	1,077,367
	Agriculture	540,172	2,157,987	601,734	2,403,927
	Construction	701,713	2,803,343	629,132	2,513,382
	Transportation	1,070,274	4,275,745	974,726	3,894,030
	Services	230,802	922,054	231,629	925,358
	Trade and commerce	430,482	1,719,776	453,096	1,810,119
	Staff loans	4,762	19,024	4,676	18,681
	Other categories	19,317	77,171	14,843	59,298
		3,149,213	12,581,106	3,179,515	12,702,162
(d)	By residency status:				
	Residents	3,149,213	12,581,106	3,179,515	12,702,162
(e)	By relationship:				
	Related parties (staff loans)	4,762	19,024	4,676	18,681
	Non-related parties	3,144,451	12,562,082	3,174,839	12,683,481
		3,149,213	12,581,106	3,179,515	12,702,162
(f)	By location:				
	Head office	2,303,997	9,204,468	2,308,965	9,224,315
	Branch	845,216	3,376,638	870,550	3,477,847
		3,149,213	12,581,106	3,179,515	12,702,162

Notes to the financial statements (continued)
for the year ended 31 December 2013

8. Loans to customers (continued)

Loans to customers are analysed as follows (continued):

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
(g) By performance:				
Standard loans				
Secured	3,066,577	12,250,975	3,163,940	12,639,940
Unsecured	66,928	267,377	870	3,476
Sub-standard loans				
Secured	2,769	11,062	12,660	50,576
Unsecured	652	2,605	-	-
Doubtful loans				
Secured	4,266	17,043	866	3,460
Unsecured	389	1,554	-	-
Loss loans				
Secured	7,632	30,490	1,179	4,710
Unsecured	-	-	-	-
	3,149,213	12,581,106	3,179,515	12,702,162

	2013	2012
(h) By interest rate (per annum):		
Group loan	20.40% - 33.60%	32.40% - 33.60%
Individual loans	0% - 33.60%	0% - 33.60%

9. Equity investment

This represents the investment in Credit Bureau Holding (Cambodia) ("CBH") Ltd through the Association of Banks in Cambodia ("ABC"). CBH is one of the shareholders of Credit Bureau (Cambodia) Co., Ltd which is a Company operates as the leading provider of information, analytical tools and credit reporting services and Micro-finance Institutions and consumers in Cambodia.

10. Other assets

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
Interests receivable	40,394	161,374	39,479	157,718
Interest in suspense	(2,079)	(8,305)	(826)	(3,300)
Prepaid rent	34,450	137,627	31,805	127,061
Deposit in registered stock share of Consorzio Etimos S.C. (*)	6,553	26,179	6,553	26,179
Others	10,807	43,174	460	1,838
	90,125	360,049	77,471	309,496

(*) In accordance with the loan agreement with Consorzio Etimos S.C., (see Note 14 (ii)) the Company is required to subscribe a number of Consorzio Etimos S.C. shares at EURO258 per share with total value of EURO4,386 (equivalent to US$6,553). 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 pay off the loan.

11. Property and equipment

	Leasehold improvements US$	Office equipment US$	Computer & IT equipment US$	Furniture & fixtures US$	Motor vehicles US$	Total US$	Total KHR'000 (Note 4)
Cost							
At 1 January 2013	8,283	4,167	19,414	15,533	44,137	91,534	365,678
Additions	1,676	120	6,342	221	-	8,359	33,394
Written off	-	-	(520)	-	-	(520)	(2,077)
At 31 December 2013	9,959	4,287	25,236	15,754	44,137	99,373	396,995
Less**: Accumulated depreciation**							
At 1 January 2013	608	3,128	14,945	10,025	32,867	61,573	245,984
Depreciation for the year	1,220	291	5,379	1,430	2,818	11,138	44,496
Written off	-	-	(462)	-	-	(462)	(1,845)
At 31 December 2013	1,828	3,419	19,862	11,455	35,685	72,249	288,635
Carrying amounts							
At 31 December 2013	8,131	868	5,374	4,299	8,452	27,124	108,360

Maxima Mikroheranhvatho Plc.

Notes to the financial statements (continued)
for the year ended 31 December 2013

11. Property and equipment (continued)

	Leasehold improvements US$	Office equipment US$	Computer & IT equipment US$	Furniture & fixtures US$	Motor vehicles US$	Total US$	Total KHR'000 (Note 4)
Cost							
At 1 January 2012	1,298	4,167	15,716	12,673	45,094	78,948	315,397
Additions	8,283	-	4,518	2,860	-	15,661	62,566
Written off	(1,298)	-	(820)	-	(957)	(3,075)	(12,285)
At 31 December 2012	8,283	4,167	19,414	15,533	44,137	91,534	365,678
Less**: Accumulated depreciation**							
At 1 January 2012	1,229	2,782	11,289	8,192	30,067	53,559	213,968
Depreciation for the year	677	346	4,473	1,833	3,757	11,086	44,289
Written off	(1,298)	-	(817)	-	(957)	(3,072)	(12,273)
At 31 December 2012	608	3,128	14,945	10,025	32,867	61,573	245,984
Carrying amounts							
At 31 December 2012	7,675	1,039	4,469	5,508	11,270	29,961	119,694

Maxima Mikroheranhvatho Plc.

Notes to the financial statements (continued)
for the year ended 31 December 2013

12. Income tax

(a) Deferred tax, net

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

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
Deferred tax assets	6,143	24,541	5,094	20,351
Deferred tax liabilities	(298)	(1,190)	18	72
	5,845	23,351	5,112	20,423

The movement of net deferred tax assets is as follows:

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
At beginning of year	5,112	20,423	4,580	18,297
Credited to income statement	733	2,928	532	2,126
At end of year	5,845	23,351	5,112	20,423

Deferred tax assets/(liabilities) are attributable to the following:

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
Provision for provident benefits	6,143	24,541	5,094	20,351
Depreciation and amortisation	(298)	(1,190)	18	72
	5,845	23,351	5,112	20,423

12. Income tax (continued)

(b) Current income tax liability

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
Balance at beginning of year	20,137	80,448	25,286	101,018
Current income tax expense	37,382	149,341	24,493	97,850
Income tax paid	(24,882)	(99,404)	(29,642)	(118,420)
Balance at end of year	32,637	130,385	20,137	80,448

In accordance with Cambodian Law on Taxation, the Company has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenues, whichever is higher.

(c) Income tax expense

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
Current income tax	37,382	149,341	24,493	97,850
Deferred tax expense	(733)	(2,928)	(532)	(2,126)
	36,649	146,413	23,961	95,724

12. Income tax (continued)

(c) Income tax expense (continued)

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:

	2013			2012		
	US$	KHR'000 (Note 4)	%	US$	KHR'000 (Note 4)	%
Profit before income tax	155,544	621,398		85,631	342,095	
Income tax using statutory rate	31,109	124,280	20	17,126	68,419	20
Non-deductible expenses	6,273	25,061	4	7,367	29,431	9
Temporary difference	(733)	(2,928)	(4)	(532)	(2,126)	0
Income tax expense	36,649	146,413	20	23,961	95,724	29

The calculation of taxable income is subject to the review and approval of the tax authorities.

13. Amounts due to shareholders

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
Ms. Sreng Sive Chheng	175,000	699,125	255,000	1,018,725
Mr. An Bun Hak	300,000	1,198,500	200,000	799,000
Mr. Pa Ponnak Rithy	20,000	79,900	20,000	79,900
	495,000	1,977,525	475,000	1,897,625

This represents borrowing from shareholders which is unsecured and will mature within 12 months, 31 December 2013, 9 August 2014, 31 December 2013 respectively and bear interest at 10% (2012: 10%) per annum.

Maxima Mikroheranhvatho Plc.

Notes to the financial statements (continued)
for the year ended 31 December 2013

14. Borrowings

	Note	2013 US$	2013 KHR'000 (Note 4)	2012 US$	2012 KHR'000 (Note 4)
KIVA Microfunds	(i)	114,467	457,295	273,823	1,093,922
Consorzio Etimos S.C.	(ii)	79,424	317,299	229,287	916,002
Luxembourg Microfinance and Development Fund SICAV	(iii)	600,000	2,397,000	300,000	1,198,500
Maruhan Japan Bank Plc.	(iv)	60,000	239,700	120,000	479,400
Acleda Bank Plc.	(v)	220,000	878,900	300,000	1,198,500
Mr. So Khornrithykun	(vi)	100,000	399,500	-	-
		1,173,891	4,689,694	1,223,110	4,886,324

(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 principal is payable on a monthly basis.

(ii) Consorzio Etimos S.C.

Terms	Four years maturing on: First loan 11 November 2012 Second loan 11 February 2014
Total credit facilities	First loan US$200,000 Second loan US$300,000
Repayment	Principal 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 US$200,000 Second loan LIBOR 6 months + 5.5% per annum (floor rate of 8%)
Security	The Company subscribed eleven shares of Consorzio Etimos S.C. at the fixed amount of EURO4,386 (equivalent to US$6,553) as described in Note 10 above.

14. Borrowings (continued)

(iii) Luxembourg Microfinance and Development Fund SICAV

Terms	Four years maturing on: First loan 28 February 2015 Two years maturing on: Second loan 15 August 2015
Total credit facilities	First loan US$300,000 Second loan US$300,000
Repayment	First loan Principal US$75,000 on 28 February 2014 and US$225,000 on 28 February 2015 Second loan Principal US$300,000 on 15 August 2015
Interest rate	Second loan 8% per annum (net of withholding tax)
Security	Unsecured

(iv) Maruhan Japan Bank Plc.

Terms	Three years maturing on: First loan 26 October 2014
Total credit facilities	First loan US$180,000
Repayment	First loan Principal US$15,000 each quarterly instalment.
Interest rate	First loan 9% per annum
Security	Unsecured

(v) Acleda Bank Plc.

Terms	Nine years maturing on: First loan 3 April 2015 Second loan 4 July 2014
Total credit facilities	First loan US$100,000 Second loan US$200,000
Repayment	First loan Principal US$100,000 on 3 April 2015 Second loan Principal US$200,000 on 4 July 2014
Interest rate	First loan 12.50% per annum Second loan 10.56% per annum
Security	Unsecured

(vi) Mr. So Khornrithykun

Terms	One year maturing on: First loan 1 February 2015
Total credit facilities	First loan US$100,000
Repayment	First loan Monthly interest payment Principal to be paid by the end of loan contract.
Interest rate	First loan 10% per annum
Security	Unsecured

14. Borrowings (continued)

The above amounts are analysed as follows:

	2013 US$	2013 KHR'000 (Note 4)	2012 US$	2012 KHR'000 (Note 4)
(a) By maturity:				
1 to 5 years	1,173,891	4,689,694	1,223,110	4,886,324
(b) By currency:				
US Dollars	1,173,891	4,689,694	1,223,110	4,886,324

(c) By interest rate (per annum):

	2013	2012
US Dollars	8% - 12.5%	8% - 12.5%

15. Provident benefits

The movements in provision for provident benefits are as follows:

	2013 US$	2013 KHR'000 (Note 4)	2012 US$	2012 KHR'000 (Note 4)
Balance at beginning of year	50,940	203,506	40,460	161,638
Payment during the year	(4,982)	(19,903)	(4,380)	(17,498)
Charge during the year	7,127	28,472	7,020	28,045
Contribution from staff during the year	8,344	33,334	7,840	31,321
	61,429	245,409	50,940	203,506

16. Other liabilities

	2013 US$	2013 KHR'000 (Note 4)	2012 US$	2012 KHR'000 (Note 4)
Interest payable	24,852	99,284	19,842	79,269
Insurance for staff	5,470	21,853	5,471	21,857
Accrued professional fees	4,411	17,622	3,250	12,983
Salary and withholding tax payable	5,565	22,231	3,653	14,594
Others	4,228	16,891	4,033	16,111
	44,526	177,881	36,249	144,814

17. Share capital and share premium

	2013 US$	2013 KHR'000 (Note 4)	2012 US$	2012 KHR'000 (Note 4)
131,500 shares of US$10 each:				
Registered, issued and fully paid 131,500 shares	1,315,000	5,253,425	1,315,000	5,253,425

On 3 September 2012, the Board of Directors decided to increase the number of the Company's share capital from 80,000 to 131,500 that is 51,500 new shares at US$12.35 each. The excess of US$2.35 per share over par value was recognised as share premium. The increase was approved by NBC and the Ministry of Commerce on 23 November 2012 and 13 March 2013 respectively.

17. Share capital and share premium (continued)

The details of shareholding are as follows:

	2013			2012		
	% of Ownership	Number of shares	Amount US$	% of Ownership	Number of shares	Amount US$
Ms. Sarun Vithourat	30.42	40,000	400,000	30.42	40,000	400,000
Ms. Sreng Sive Chheng	27.38	36,000	360,000	27.38	36,000	360,000
Mr. An Bun Hak	20.53	27,000	270,000	20.53	27,000	270,000
Mr. Uong Kimseng	11.41	15,000	150,000	11.41	15,000	150,000
Mr. Chet Chan Prasoeur	3.80	5,000	50,000	3.80	5,000	50,000
Mr. Pa Ponnak Rithy	3.29	4,330	43,300	3.29	4,330	43,300
Ms. Buy Sivantha	1.90	2,500	25,000	1.90	2,500	25,000
Mr. Pa Ponnak Rithy (staff representative)	1.27	1,670	16,700	1.27	1,670	16,700
	100	131,500	1,315,000	100	131,500	1,315,000

18. Interest income

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
Loans and advances	794,290	3,173,189	780,870	3,119,575
Deposits and placements with banks	732	2,924	238	951
	795,022	3,176,113	781,108	3,120,526

19. Interest expense

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
Borrowings	65,651	262,276	61,898	247,283
Amount due to shareholders	48,069	192,036	55,240	220,684
Banks	36,470	145,697	37,540	149,972
	150,190	600,009	154,678	617,939

20. Operating income

	2013 US$	2013 KHR'000 (Note 4)	2012 US$	2012 KHR'000 (Note 4)
Penalty income	3,495	13,962	2,421	9,672
Recovery on loans written off	913	3,647	1,995	7,970
Others	8,044	32,136	8,278	33,071
	12,452	49,745	12,694	50,713

21. General and administrative expenses

	2013 US$	2013 KHR'000 (Note 4)	2012 US$	2012 KHR'000 (Note 4)
Salaries and bonuses	322,883	1,289,918	296,194	1,183,295
Employees training	282	1,127	759	3,032
Depreciation expenses	11,138	44,496	11,086	44,289
Professional fees	7,008	27,997	81,200	324,394
Office rental	57,827	231,019	38,991	155,769
Motor vehicle operating expense	21,554	86,108	25,370	101,353
Withholding tax	7,087	28,314	14,613	58,379
Stationery and supplies expenses	4,973	19,867	9,749	38,948
Memberships expenses	9,103	36,366	8,243	32,931
Provident benefits (Note 15)	7,127	28,472	7,020	28,045
Security expenses	6,864	27,422	6,131	24,493
Fees and commission	5,550	22,172	6,010	24,010
Utilities expenses	5,331	21,297	5,503	21,984
Communication	4,722	18,864	5,546	22,156
Business meals and entertainment	4,189	16,735	3,471	13,867
Per-diem and incidental travel	2,426	9,692	2,922	11,673
Insurance	1,442	5,761	1,534	6,128
License fees expense	1,567	6,260	1,324	5,289
Repair and maintenance	513	2,049	1,054	4,211
Marketing and advertising expenses	412	1,646	292	1,167
Others	18,739	74,862	15,887	63,469
	500,737	2,000,444	542,899	2,168,882

22. Net cash used in operating activities

	2013 US$	2013 KHR'000 (Note 4)	2012 US$	2012 KHR'000 (Note 4)
Profit before income tax	155,544	621,398	85,631	342,095
Adjustments for:				
Depreciation expenses	11,138	44,496	11,086	44,289
Provident benefits	7,127	28,472	7,020	28,045
Property and equipment written off	58	232	3	12
	173,867	694,598	103,740	414,441
Changes in:				
Statutory deposits	-	-	(25,750)	(102,871)
Loans and advances to customers	31,305	125,063	(612,583)	(2,447,269)
Other assets	(12,654)	(50,552)	(30,906)	(123,468)
Amount due to shareholders	20,000	79,900	325,000	1,298,375
Other liabilities	8,277	33,067	(8,673)	(34,650)
Provision for provident benefits	8,344	33,334	7,840	31,321
	229,139	915,410	(241,332)	(964,121)
Income tax paid	(24,882)	(99,404)	(29,642)	(118,420)
Provident benefits paid	(4,982)	(19,903)	(4,380)	(17,498)
Net cash generated from/(used in) operating activities	199,275	796,103	(275,354)	(1,100,039)

23. Cash and cash equivalents

	2013 US$	2013 KHR'000 (Note 4)	2012 US$	2012 KHR'000 (Note 4)
Cash on hand	6,947	27,753	16,479	65,834
Deposits and placements with banks	175,514	701,179	36,002	143,828
	182,461	728,932	52,481	209,662

24. Commitments and contingencies

(a) Lease commitments

The Company has lease commitments for the lease of its headquarters and provincial offices as follows:

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
Less than 1 year	40,830	163,116	37,785	150,951
Between 1 and 5 years	70,820	282,926	110,340	440,808
	111,650	446,042	148,125	591,759

(b) Taxation contingencies

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Company could be significant.

25. Related party transactions and balances

(a) Related party transactions:

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
Board of Directors/Key management				
Salaries and other benefits	91,040	363,705	78,808	314,838
Interest expenses from amounts due to shareholders	48,069	192,036	55,240	220,684

25. Related party transactions and balances (continued)

(b) Related party balances:

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
Borrowings from shareholders				
Ms. Sreng Sive Chheng	175,000	699,125	255,000	1,018,725
Mr. An Bun Hak	300,000	1,198,500	200,000	799,000
Mr. Pa Ponnak Rithy	20,000	79,900	20,000	79,900
	495,000	1,977,525	475,000	1,897,625

26. Financial risk management

The guidelines and policies adopted by the Company to manage the risks that arise in the conduct of their business activities are as follows:

(a) Credit risk

Credit risk is the potential loss of revenue and principal losses in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending and investing activities.

The primary exposure to credit risk arises through its loans to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The lending activities are guided by the Company's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loans portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes and procedures implemented to ensure compliance with NBC Guidelines.

The Company holds collateral against loans to customers in the form of mortgage interests over property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as doubtful.

26. Financial risk management

(a) Credit risk (continued)

(i) Credit risk measurement

The Company assesses the probability of default of individual counterparties by focusing on borrowers' forecast profit and cash flow. The credit committees are responsible for approving loans to customers.

(ii) Risk limit control and mitigation policies

The Company manages limits and controls the concentration of credit risk whenever it is identified.

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to individual customers.

Management believes that the 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.

(iii) Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provisioning in accordance with NBC's Prakas No B7-02-186 dated 13 September 2002 on loan classification and provisioning. Refer to Note 3(g) for details.

(iv) Exposure to credit risk:

	2013		2012	
	US$	KHR'000 (Note 4)	US$	KHR'000 (Note 4)
Loans to customers				
Neither past due nor impaired	3,133,505	12,518,352	3,164,810	12,643,416
Individually impaired	15,708	62,754	14,705	58,746
	3,149,213	12,581,106	3,179,515	12,702,162

26. Financial risk management (continued)

(a) Credit risk (continued)

(iv) Exposure to credit risk (continued)

Impaired loans to customers

Individually impaired loans to customers are loans to customers 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 to customers.

In compliance with NBC Guidelines, an allowance for doubtful loans to customers is made for loans to customers with payment overdue more than 30 days for short-term loans and 90 days for long term loans. A minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty. Refer to separate accounting policy stated in Note 3(g).

Past due but not impaired loans to customers

Past due but not impaired loans to customers are those for which contractual interest or principal payments are past due less than 30 days for both short-term loans and long-term loans, unless other information is available to indicate otherwise.

(b) Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors 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 management.

The operational risk management entail the establishment of clear organisational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its micro-finance business.

26. Financial risk management (continued)

(c) Market risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Khmer Riel. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Company has maintained a minimum foreign currency exposure ratio in accordance with guidelines issued by the National Bank of Cambodia.

(i) Foreign currency exchange risk

Concentration of currency risk

The aggregate amounts of assets and liabilities, by currency denomination, are as follows:

	US$ equivalent		Total
	US$	KHR	US$
31 December 2013			
Assets			
Cash on hand	5,928	1,019	6,947
Statutory deposits	65,750	-	65,750
Deposits and placements with banks	175,514	-	175,514
Loans and advances to customers	3,133,505	-	3,133,505
Equity investment	10,000	-	10,000
Other assets	90,125	-	90,125
Total financial assets	3,480,822	1,019	3,481,841

26. Financial risk management (continued)

(c) Market risk (continued)

(i) Foreign currency exchange risk (continued)

	US$ equivalent		Total
	US$	KHR	US$
Liabilities			
Amount due to shareholders	495,000	-	495,000
Borrowings	1,173,891	-	1,173,891
Provident benefits	61,429	-	61,429
Other liabilities	44,526	-	44,526
Total financial liabilities	1,774,846	-	1,774,846
Net financial asset position	1,705,976	1,019	1,706,995
31 December 2012			
Total financial assets	3,370,346	166	3,370,512
Total financial liabilities	1,785,299	-	1,785,299
Net financial asset position	1,585,047	166	1,585,213

(ii) 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. The exposure to interest rate risk relate primarily to its loans, bank deposits and borrowings.

The following table indicates the effective interest rates at the reporting date and the periods in which the financial instruments re-price or mature, whichever is earlier.

Maxima Mikroheranhvatho Plc

Notes to the financial statements (continued)
for the year ended 31 December 2013

26. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

31 December 2013	Up to 1 month US$	>1 – 3 months US$	>3 – 12 months US$	1 – 5 years US$	Over 5 years US$	Non-interest sensitive US$	Total US$	Weighted average interest %
Assets								
Cash on hand	-	-	-	-	-	6,947	6,947	
Statutory deposits	-	-	-	-	65,750	-	65,750	
Deposits and placements with banks	172,736	-	-	-	-	2,778	175,514	
Loans and advances to customers								
- Performing	13,213	44,253	835,365	2,235,912	-	4,762	3,133,505	0%-33.6%
- Non performing	6,954	1,081	5,801	1,872	-	-	15,708	0%-33.6%
- Allowance	-	-	-	-	-	(15,708)	(15,708)	
Equity investment	-	-	-	-	-	10,000	10,000	
Other assets	-	-	-	-	-	90,125	90,125	
	192,903	45,334	841,166	2,237,784	65,750	98,904	3,481,841	
Liabilities								
Amount due to shareholders	-	-	495,000	-	-	-	495,000	10%
Borrowings	-	-	-	1,173,891	-	-	1,173,891	8%-12.5%
Provident benefits	-	-	-	-	-	61,429	61,429	
Other liabilities	-	-	-	-	-	44,526	44,526	
	-	-	495,000	1,173,891	-	105,955	1,774,846	
Maturity gap	192,903	45,334	346,166	1,063,893	65,750	(7,051)	1,706,995	

26. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

31 December 2012	Up to 1 month US$	>1 – 3 months US$	>3 – 12 months US$	1 – 5 years US$	Over 5 years US$	Non-interest sensitive US$	Total US$	Weighted average interest %
Assets								
Cash on hand	-	-	-	-	-	16,479	16,479	
Statutory deposits	-	-	-	-	65,750	-	65,750	
Deposits and placements with banks	32,084	-	-	-	-	3,918	36,002	
Loans to customers								
- Performing	3,199	28,715	643,778	2,489,118	-	-	3,164,810	23%-34%
- Non performing	4,206	185	-	10,314	-	-	14,705	23%-34%
- Allowance	-	-	-	-	-	(14,705)	(14,705)	
Equity investement	-	-	-	-	-	10,000	10,000	
Other assets	-	-	-	-	-	77,471	77,471	
	39,489	28,900	643,778	2,499,432	65,750	93,163	3,370,512	
Liabilities								
Amount due to shareholders	-	-	475,000	-	-	-	475,000	10%
Borrowings	-	-	-	1,223,110	-	-	1,223,110	8%-12.5%
Provident benefits	-	-	-	-	-	50,940	50,940	
Other liabilities	-	-	-	-	-	36,249	36,249	
	-	-	475,000	1,223,110	-	87,189	1,785,299	
Maturity gap	39,489	28,900	168,778	1,276,322	65,750	5,974	1,585,213	

26. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate liabilities at fair value through profit or loss, and the Company does not have derivatives as at the year end. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

(d) Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Company closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

The following table provides an analysis of the financial assets and liabilities of the Company into relevant maturity groupings based on the remaining periods to repayment.

Maxima Mikroheranhvatho Plc

Notes to the financial statements (continued)
for the year ended 31 December 2013

26. Financial risk management (continued)

(d) Liquidity risk (continued)

31 December 2013	Up to 1 month US$	2 – 3 months US$	4 – 12 months US$	1 – 5 years US$	Over 5 years US$	No fixed terms US$	Total US$
Liabilities							
Amount due to shareholders	-	-	495,000	-	-	-	495,000
Borrowings	-	-	-	1,173,891	-	-	1,173,891
Provident benefits	-	-	-	-	-	61,429	61,429
Other liabilities	-	-	-	-	-	44,526	44,526
	-	-	495,000	1,173,891	-	105,955	1,774,846
31 December 2012							
Liabilities							
Amount due to shareholders	-	-	475,000	-	-	-	475,000
Borrowings	-	-	-	1,223,110	-	-	1,223,110
Provident benefits	-	-	-	-	-	50,940	50,940
Other liabilities	-	-	-	-	-	36,249	36,249
	-	-	475,000	1,223,110	-	87,189	1,785,299

26. Financial risk management (continued)

(e) Capital management

(i) Regulatory capital

The Company's lead regulator, the NBC, sets and monitors capital requirements for the Company as a whole.

The Company's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Company and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

(ii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

27. Fair values of financial assets and liabilities

The Company did not have financial instruments measured at fair value.

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Company's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values.