



**MAXIMA MICROFINANCE PLC.**  
(Registration No. 00005996)

**REPORT OF THE BOARD OF DIRECTORS  
AND AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**MAXIMA MICROFINANCE PLC.****REPORT OF THE BOARD OF DIRECTORS AND AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR END 31 DECEMBER 2016****CORPORATE INFORMATION**

Company	Maxima Microfinance Plc.	
Registration No	00005996	
Registered office	#21AB, Street 271 Sangkat Phsar Doeum Thkov Khan Chamkamorn Phnom Penh, Kingdom of Cambodia	
Shareholders	Gojo & Company, Inc. Mr. An Bunhak Ms. Sreng Sivechheng Ms. Sarun Vithourat Mr. Chet Chanprasoeur Mr. Pa Ponnak Rithy Mr. Pa Ponnak Rithy (staff representative)	
Board of Directors	Mr. An Bunhak Mr. Chet Chanprasoeur Mr. Muy Mara Mr. Taejun Shin Mr. Sanjay Gandhi Mr. Yean Rithy  Mr. Ao Veng	Non-Executive Director/Chairman Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director/Independent Board Member Non-Executive Director/Independent Board Member
Management team	Mr. Pa Ponnak Rithy Ms. Sreng Sivechheng Mr. Nin Touch Mr. Khean Darith Mr. Tann Hok Heng Ms. Sim Soupheakna  Mr. Khiev Sengdy	Chief Executive Officer Chief Financial Officer Head of Credit Department Head of IT Department Head of Internal Audit Department Head of Human Resource Department Head of Marketing Department
Auditors	Deloitte (Cambodia) Co., Ltd.	

**MAXIMA MICROFINANCE PLC.**

**REPORT OF THE BOARD OF DIRECTORS AND AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR-END 31 DECEMBER 2016**

**CONTENTS**

	<b>Page(s)</b>
1. Report of the Board of Directors	1 - 4
2. Independent auditor's report	5 - 7
3. Balance sheet	8
4. Income statement	9
5. Statement of changes in equity	10
6. Statement of cash flows	11 - 12
7. Notes to the financial statements	13 - 47



គ្រឹះស្ថានហិរញ្ញវត្ថុ ម៉ាកស៊ីម៉ា ភីអិលស៊ី

MAXIMA Microfinance Plc.

អាគារលេខ ២១AB ផ្លូវលេខ២៧១ សង្កាត់ផ្សារដើមថ្កូវ ខណ្ឌចំការមន រាជធានីភ្នំពេញ  
No.21AB, St.271, Phsar Doeum Thkov, Chamcarmorn, Phnom Penh CAMBODIA  
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## REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report together with the audited financial statements of Maxima Microfinance Plc. ("the Company") for the year ended 31 December 2016.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the provision of micro-finance services. Those services comprise granting credit for poor and low income households and small enterprise operating in the Kingdom of Cambodia.

## FINANCIAL RESULTS

The financial results of the Company for the year ended 31 December 2016 were as follows:

	Year ended 31 December 2016		Year ended 31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	526,682	2,126,215	352,749	1,428,633
Income tax expense	(133,168)	(537,599)	(75,320)	(305,046)
Net profit for the year	393,514	1,588,616	277,429	1,123,587

## RESERVES AND PROVISIONS

There were no material movements in reserves and provisions during the year other than those disclosed in the financial statements.

## DIVIDENDS

The Company has declared and paid dividends amounting to US\$52,711 in respect of the Company's net profit for the year ended 31 December 2015. (2015: US\$20,684 in respect of the Company's net profit for the year ended 31 December 2014).

## SHARE CAPITAL

On 26 December 2016, the National Bank of Cambodia approved on the conversion of borrowings from Mr. An Bunhak and Gojo & Company, Inc. as follows:

	Share capital US\$	Share premium US\$	Total US\$
Mr. An Bunhak	430,000	180,600	610,600
Gojo & Company, Inc.	1,590,290	661,557	2,251,847

As at 31 December 2016, the share capital of the Company was US\$5,095,290 (2015: US\$3,075,000).

## **BAD AND DOUBTFUL LOANS**

Before the Company's financial statements were drawn up, the Board of Directors took reasonable steps to ascertain that appropriate action had been taken in relation to the writing off of bad loans or making allowance for bad and doubtful loans. The Board of Directors has satisfied itself that all known bad loans have been written off and that adequate allowance has been made for bad and doubtful loans.

At the date of this report and based on the best of knowledge, the Board of Directors is not aware of any circumstances which would render the amount of the allowance for bad and doubtful loans in the financial statements of the Company inadequate to any material extent.

## **ASSETS**

Before the Company's financial statements were drawn up, the Board of Directors took reasonable steps to ensure that any assets, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company, had been written down to an amount which they might be expected to realise.

At the date of this report, the Board of Directors is not aware of any circumstances which would render the values attributable to the assets in the Company's financial statements misleading in any material respect.

## **VALUATION METHODS**

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

## **CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there is:

- i) no charge on the assets of the Company which has arisen since the end of the year which secures the liabilities of any other person; and
- ii) no contingent liability in respect of the Company that has arisen since the end of the 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 after the end of the year which, in the opinion of the Board of Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they become due.

## **CHANGE OF CIRCUMSTANCES**

At the date of this report, the Board of Directors is not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading in any material respect.

## ITEMS OF AN UNUSUAL NATURE

The Company's financial performance for the year ended 31 December 2016 was not, in the opinion of the Board of Directors, materially affected by any items, transactions or events of a material and unusual nature.

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

## EVENTS AFTER THE REPORTING DATE

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

## THE BOARD OF DIRECTORS

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

- Mr. An Bunhak Non-Executive Director/Chairman
- Mr. Chet Chanprasoeur Non-Executive Director
- Mr. Muy Mara Non-Executive Director
- Mr. Taejun Shin Non-Executive Director
- Mr. Sanjay Gandhi Non-Executive Director
- Mr. Yean Rithy Non-Executive Director/Independent Board Member
- Mr. Ao Veng Non-Executive Director/Independent Board Member

## 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:

	31 December 2016		31 December 2015	
	Holding %	Number of shares of US\$10 each	Holding %	Number of shares of US\$10 each
Mr. An Bunhak	19.63%	100,000	18.54%	57,000
Mr. Chet Chanprasoeur	1.08%	5,500	1.79%	5,500

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the objective of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company other than as disclosed in the financial statements.

## **BOARD OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Board of Directors is responsible to ensure that the financial statements are properly drawn up, so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) comply with the requirements of Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia, or, if there have been any departures in the interests of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- v) effectively control and direct the Company and is involved 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 confirm that the Company has complied with the above requirements in preparing the financial statements.

## **STATEMENT OF THE BOARD OF DIRECTORS**

The accompanying financial statements, together with the notes thereto, present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,



Mr. An Bunhak  
Chairman

Phnom Penh, Kingdom of Cambodia  
Date: 27 April 2017

## **INDEPENDENT AUDITOR'S REPORT**

To the shareholders of Maxima Microfinance Plc.

### **Opinion**

We have audited the financial statements of Maxima Microfinance Plc. ("the Company"), which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 47.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia.

### **Basis for Opinion**

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Matters**

The financial statements of the Company as at and for the year ended 31 December 2015, were audited by another auditor who expressed an unmodified opinion on those statements on 25 April 2016.

### **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the Report of the Board of Directors as set out on pages 1 to 4, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





## **Responsibilities of Management and the Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Deloitte (Cambodia) Co., Ltd.

  
Khoy Kimleng  
Director

Phnom Penh, Kingdom of Cambodia  
Date: 27 April 2017

**MAXIMA MICROFINANCE PLC.****BALANCE SHEET  
AS AT 31 DECEMBER 2016**

		31 December 2016		31 December 2015	
	Note	US\$	KHR'000	US\$	KHR'000
<b>ASSETS</b>					
Cash on hand	4	10,235	41,319	15,311	62,009
Balances with the NBC	5	255,580	1,031,776	154,259	624,749
Balances with other banks	6	1,061,245	4,284,246	241,524	978,173
Loans to customers	7	9,727,358	39,269,344	7,962,287	32,247,262
Equity investment	8	10,000	40,370	10,000	40,500
Other assets	9	162,139	654,555	139,122	563,444
Property and equipment	10	42,325	170,866	39,491	159,938
Deferred tax assets	15(a)	49,717	200,708	27,879	112,910
<b>TOTAL ASSETS</b>		<b>11,318,599</b>	<b>45,693,184</b>	<b>8,589,873</b>	<b>34,788,985</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
Amounts due to shareholders	11	520,000	2,099,240	3,385,494	13,711,251
Borrowings	12	2,889,834	11,666,260	588,375	2,382,919
Provident fund obligations	13	92,873	374,928	75,535	305,917
Other liabilities	14	91,232	368,304	70,331	284,840
Current income tax liability	15(b)	136,080	549,355	84,808	343,472
<b>TOTAL LIABILITIES</b>		<b>3,730,019</b>	<b>15,058,087</b>	<b>4,204,543</b>	<b>17,028,399</b>
<b>EQUITY</b>					
Share capital	16	5,095,290	20,569,686	3,075,000	12,453,750
Share premium		1,538,174	6,209,608	696,017	2,818,869
Reserves		67,862	273,959	53,990	218,659
Retained earnings		887,254	3,581,844	560,323	2,269,308
<b>TOTAL EQUITY</b>		<b>7,588,580</b>	<b>30,635,097</b>	<b>4,385,330</b>	<b>17,760,586</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11,318,599</b>	<b>45,693,184</b>	<b>8,589,873</b>	<b>34,788,985</b>

The accompanying notes on pages 13 to 47 form an integral part of these financial statements.

**MAXIMA MICROFINANCE PLC.****INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

		<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>Note</b>	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Interest income	17	1,926,666	7,777,951	1,503,119	6,087,632
Interest expense	18	(223,868)	(903,755)	(206,985)	(838,289)
<b>Net interest income</b>		<b>1,702,798</b>	<b>6,874,196</b>	<b>1,296,134</b>	<b>5,249,343</b>
Other operating income	19	63,140	254,896	34,966	141,612
<b>Total operating income</b>		<b>1,765,938</b>	<b>7,129,092</b>	<b>1,331,100</b>	<b>5,390,955</b>
Operating expenses	20	(1,185,159)	(4,784,487)	(939,454)	(3,804,789)
Allowance for bad and doubtful loans	7	(54,097)	(218,390)	(38,897)	(157,533)
<b>Profit before income tax</b>		<b>526,682</b>	<b>2,126,215</b>	<b>352,749</b>	<b>1,428,633</b>
Income tax expense	15(c)	(133,168)	(537,599)	(75,320)	(305,046)
<b>Net profit for the year</b>		<b>393,514</b>	<b>1,588,616</b>	<b>277,429</b>	<b>1,123,587</b>

The accompanying notes on pages 13 to 47 form an integral part of these financial statements.

**MAXIMA MICROFINANCE PLC.****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<b>Share capital US\$</b>	<b>Share premium US\$</b>	<b>Reserves US\$</b>	<b>Retained earnings US\$</b>	<b>Total US\$</b>
At 1 January 2015	1,315,000	121,025	48,548	309,020	1,793,593
Additional capital	1,760,000	574,992	-	-	2,334,992
Transfer to reserves	-	-	5,442	(5,442)	-
Dividends paid	-	-	-	(20,684)	(20,684)
Net profit for the year	-	-	-	277,429	277,429
At 31 December 2015	<u>3,075,000</u>	<u>696,017</u>	<u>53,990</u>	<u>560,323</u>	<u>4,385,330</u>
At December 2015 – KHR'000 equivalents	<u>12,453,750</u>	<u>2,818,869</u>	<u>218,659</u>	<u>2,269,308</u>	<u>17,760,586</u>
At 1 January 2016	3,075,000	696,017	53,990	560,323	4,385,330
Additional share capital	2,020,290	842,157	-	-	2,862,447
Transfer to reserves	-	-	13,872	(13,872)	-
Dividends paid	-	-	-	(52,711)	(52,711)
Net profit for the year	-	-	-	393,514	393,514
At 31 December 2016	<u>5,095,290</u>	<u>1,538,174</u>	<u>67,862</u>	<u>887,254</u>	<u>7,588,580</u>
At 31 December 2016 – KHR'000 equivalents	<u>20,569,686</u>	<u>6,209,608</u>	<u>273,959</u>	<u>3,581,844</u>	<u>30,635,097</u>

The accompanying notes on pages 13 to 47 form an integral part of these financial statements.

**MAXIMA MICROFINANCE PLC.**
**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

		31 December 2016		31 December 2015	
	Note	US\$	KHR'000	US\$	KHR'000
<b>Cash flows from operating activities</b>					
Profit before income tax		526,682	2,126,215	352,749	1,428,633
<i>Adjustments for non-cash income and expense</i>					
Depreciation	10	21,273	85,879	17,410	70,511
Allowance for bad and doubtful loans	7	54,097	218,390	38,897	157,533
Provident benefits	13	12,893	52,049	9,370	37,948
Loss on disposal of property and equipment		285	1,151	610	2,471
Net interest income		(1,702,798)	(6,874,196)	(1,296,134)	(5,249,343)
		(1,087,568)	(4,390,512)	(877,098)	(3,552,247)
<i>Changes in:</i>					
Loans to customers		(1,819,175)	(7,344,010)	(3,681,179)	(14,908,775)
Other assets		(6,327)	(25,542)	1,703	6,897
Balances with the NBC		(101,015)	(407,798)	(88,000)	(356,400)
Other liabilities		25,234	101,870	28,710	116,276
Provident fund obligations		14,715	59,404	12,076	48,908
Cash used in operations		(1,886,568)	(7,616,076)	(3,726,690)	(15,093,094)
Interest received		1,909,976	7,710,573	1,461,583	5,919,411
Interest paid		(228,201)	(921,247)	(205,690)	(833,045)
Income tax paid	15 (b)	(103,734)	(418,775)	(40,406)	(163,644)
Provident fund paid	13	(10,270)	(41,460)	(9,522)	(38,564)
Net cash used in operating activities		<b>(1,406,365)</b>	<b>(5,677,497)</b>	<b>(3,397,823)</b>	<b>(13,761,183)</b>
<b>Cash flows from investing activities</b>					
Purchases of property and equipment	10	(25,113)	(101,381)	(30,904)	(125,161)
Net cash used in investing activities		<b>(25,113)</b>	<b>(101,381)</b>	<b>(30,904)</b>	<b>(125,161)</b>
<b>Cash flows from financing activities</b>					
Dividends paid		(52,711)	(212,794)	(20,684)	(83,770)
Proceeds from borrowings		3,668,185	14,808,463	4,450,540	18,024,686
Repayments of borrowings		(1,369,045)	(5,526,835)	(1,375,901)	(5,572,399)
Net cash from financing activities		<b>2,246,429</b>	<b>9,068,834</b>	<b>3,053,955</b>	<b>12,368,517</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>					
		814,951	3,289,956	(374,772)	(1,517,827)
Cash and cash equivalents at the beginning of the year		257,344	1,042,243	632,116	2,575,873
Currency translation differences		-	(3,344)	-	(15,803)
<b>Cash and cash equivalents at the end of the year</b>	<b>21</b>	<b>1,072,295</b>	<b>4,328,855</b>	<b>257,344</b>	<b>1,042,243</b>

**MAXIMA MICROFINANCE PLC.****STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2016****Significant non-cash transactions**

During the year, there were the following significant non-cash transactions:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Increase in share capital through the transfer from borrowings	-	-	1,550,000	6,277,500
Increase in share capital through the transfer from advance from shareholders	-	-	210,000	850,500
Increase in share capital through the transfer from amount due to shareholders	2,020,290	8,155,911	-	-
Increase in share premium through the transfer from borrowings	-	-	506,385	2,050,859
Increase in share premium through the transfer from advance from shareholders	-	-	68,607	277,858
Increase in share premium through the transfer from amount due to shareholders	842,157	3,399,788	-	-
Increase in other reserves through the transfer from the retained earnings	13,872	56,001	5,442	22,040

The accompanying notes on pages 13 to 47 form an integral part of these financial statements.

## **MAXIMA MICROFINANCE PLC.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1. BACKGROUND INFORMATION**

Maxima Microfinance Plc. ("the Company"), originally 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. 00005996 (previously Co. 7897E/2005). On 10 August 2005, the Company obtained the license No. 013 from the National Bank of Cambodia ("NBC") to provide 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 22 February 2012, the NBC granted a permanent license No. M.F 013 to the Company with the new name Maxima Mikroheranhvatho Plc. On 22 July 2015, the NBC approved the amendment of the new name of the Company as Maxima Microfinance Plc.

The Company's vision is to be the leading micro-finance institution offering micro-financial services with the highest quality of customer service. The Company'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 realising 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's registered office is located at House No. 21AB, Street 271, Sangkat Phsar Doeum Thkov, Khan Chamkamorn, Phnom Penh and its provincial branches are located in Kandal, Kampong Speu and Takeo provinces.

The financial statements were approved for issue by the Board of Directors on 27 April 2017.

#### **2. SUMMARY OF 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 period presented, unless otherwise stated.

##### **(a) Basis of preparation**

The financial statements of the Company, which are expressed in United States Dollars ("US\$"), are prepared under the historical cost convention and drawn up in accordance with Cambodian Accounting Standards ("CAS") and relevant accounting regulations and guidelines issued by the National Bank of Cambodia.

The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are therefore not intended to present the financial position, financial performance and cash flows of the Company in accordance with jurisdictions other than the Kingdom of Cambodia. Consequently, these financial statements are only addressed to those who are informed about Cambodian accounting principles, procedures and practices.



## **MAXIMA MICROFINANCE PLC.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **(a) Basis of preparation** (continued)

The preparation of financial statements in accordance with the CAS and relevant accounting regulations and guidelines issued by the NBC requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

##### **(b) Financial reporting framework**

On 28 August 2009, the National Accounting Council ("NAC") of the Ministry of Economy and Finance announced the adoption of Cambodian International Financial Reporting Standards ("CIFRS") which are based on all standards published by International Accounting Standard Board (IASB) including other interpretation and amendment. Public accountable entities shall prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012.

NAC of the Ministry of Economy and Finance through Circular No. 086 MoEF.NAC dated 30 July 2012 approves banks and financial institutions to delay adoption of CIFRS until the periods beginning on or after 1 January 2016. On 24 March 2016, the NAC issued a Notification No. 058 MoEF.NAC to banks and financial institutions on the delay in adoption of CIFRS until the periods beginning on or after 1 January 2019, following the request of the NBC dated 16 November 2015.

The current accounting standard used is different to the CIFRS in many areas. Hence, the adoption of the CIFRS may have significant impact on the financial statements of the Company. Management is assessing the full impact of the change to CIFRS framework but not completed at the date of this report.

##### **(c) Foreign currency translation**

###### *(i) Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Management has determined the US\$ to be the Company's functional currency owing to the significant influence of the US\$ on its operations. The financial statements are presented in US\$, which is the Company's functional and presentation currency.

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(c) Foreign currency translation** (continued)

*(ii) Transactions and balances*

Transactions in currencies other than US\$, the functional and presentation currency, are translated into US\$ at the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than US\$, are recognised in the income statement.

*(iii) Presentation in Khmer Riel*

In compliance with the Law on Accounting and Auditing dated 11 April 2016, and Prakas No. 643 MEF PRK dated 26 July 2007 of the Ministry of Economy and Finance, a translation of the financial statements from US\$ to Khmer Riel is required.

Translations of US\$ into Khmer Riel ("KHR") are included in the financial statements solely for compliance with the Prakas No. B7-07-164 dated 13 December 2007 of the National Bank of Cambodia relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$ 1 to KHR 4,037 (31 December 2015: US\$ 1 to KHR 4,050) published by the National Bank of Cambodia.

The financial statements expressed in Khmer Riel are unaudited and should not be construed as representation that the US\$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other exchange rate.

**(d) Basis of aggregation**

The financial statements include the financial statements of the head office and its branches after the elimination of significant inter-branch balances and transactions.

**(e) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, unrestricted balances with the National Bank of Cambodia, and balances with other banks, and other short-term highly liquid investments with original maturities of three months or less where the Company has full ability to withdraw for general purpose whenever needed and is subject to insignificant change in value.

**(f) Balances with the NBC**

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 as required by NBC. Balances with the NBC are stated at cost.

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(g) 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 and general provisions for bad and doubtful loans.

Loans are written off when there is no realistic prospect of recovery.

**(h) Allowance for bad and doubtful loans**

The adequacy of the allowance for bad and doubtful loans is evaluated monthly by management.

The Company follows the mandatory credit classification and provisioning as required by Prakas B7-02-186 dated 13 September 2002 of the NBC. The Prakas requires microfinance institutions to classify their loan portfolio into the following four classes based on number of days past due of principal and/or interest repayment and the minimum mandatory level of specific provision is provided depending on loan classification, regardless of the assets (except cash) pledged as collateral, as follows:

<b>Classification</b>	<b>Number of days past due</b>	<b>Allowance</b>
<b>Short-term loans (one year or less):</b>		
Standard	Less than 30 days	0%
Sub-standard	30 days to 59 days	10%
Doubtful	60 days to 89 days	30%
Loss	90 days or more	100%
<b>Long-term loan (more than one year):</b>		
Standard	Less than 30 days	0%
Sub-standard	30 days to 179 days	10%
Doubtful	180 days to 359 days	30%
Loss	360 days or more	100%

In addition to the specific allowance, the amount of allowance in excess of defined percentages required by the NBC is shown as a general allowance at 90% of sub-standard loans and 70% of doubtful loans. Effectively, 100% allowance is provided to loans below standard.

Loans are written off when they are considered uncollectible. Loans written off are taken out of the outstanding loan portfolio and deducted from the provision for loan loss.

Recoveries of loans previously written off are disclosed as other operating income in the income statement.

**(i) Interest in suspense**

This represents interest on non-performing loans, that is recorded as interest in suspense rather than interest income until it is realised on a cash basis. Non-performing loans include sub-standard, doubtful and loss loans.

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

## **MAXIMA MICROFINANCE PLC.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(j) Other assets**

Other assets are carried at cost. An estimate is made for doubtful receivables based on a review of outstanding amounts at the reporting date.

##### **(k) Property and equipment**

Items of property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Work-in-progress is not depreciated. Depreciation of property and equipment is charged to the income statement using the following rates and method:

	Rate	Method
Leasehold improvements	10%-50%	Straight line
Office equipment	25%	Declining balance
Computer and IT equipment	50%	Declining balance
Furniture and fixtures	25%	Declining balance
Motor vehicles	25%	Declining balance

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

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

##### **(l) 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 2 (h).

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.

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(l) Impairment** (continued)

*(i) Financial assets (continued)*

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*

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows (cash-generating units).

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

**(m) Borrowings**

Borrowings are recognised initially at cost and subsequently stated at the outstanding principal amount.

Fees paid on the establishment of borrowing facilities are charged to the income statement when incurred.

**(n) Provident fund obligations**

The Company provides its employees with benefits under the staff provident fund 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 upon their retirement, resignation or termination of employment if an employee has been working for the Company for three years or more. The employee's contribution is paid in full even though the employee is working for less than three years.

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.

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(o) 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 will be required to settle the obligation; and the amount can be reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

**(p) Current and deferred income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. 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.

**(q) Reserves**

Based on the Memorandum and Articles of Association, the Company shall transfer 5% of its net profit, 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.

**(r) Dividends**

Dividends declared and approved by the Company's shareholders before the end of reporting date are recognised as a liability and accounted for as a deduction from the retained earnings in the financial statements.

Dividends declared and approved by the Company's shareholders after the reporting date are not recognised as a liability but disclosed as the subsequent events in the note to the financial statements.

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(s) 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 on declining 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.

**(t) Other operating income**

The Company earns penalty income from its customers for late payment of loan instalments. The income is recognised on a cash basis.

**(u) Leases**

Operating leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**(v) Rounding of amounts**

Amounts in the financial statements have been rounded off to the nearest dollar and thousand Khmer Riel ("KHR'000") for US\$ and Riel amounts, respectively, unless otherwise stated.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

## **MAXIMA MICROFINANCE PLC.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

##### **3.1 Key sources of estimation uncertainty**

###### *(i) Allowance for bad and doubtful loans*

The Company follows the mandatory credit classification and provisioning as required by Prakas B7-02-186 dated 13 September 2002 of the NBC. The Prakas requires microfinance institutions to classify their loan portfolio into the following four classes based on number of days past due of principal and/or interest repayment and the minimum mandatory level of specific provision is provided depending on loan classification, regardless of the assets (except cash) pledged as collateral.

In addition to the specific allowance, the amount of allowance in excess of defined percentages required by the NBC is shown as a general allowance at 90% of sub-standard loans and 70% of doubtful loans. Effectively, 100% allowance is provided to loans below standard.

###### *(ii) Income tax*

The taxation system in Cambodia is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, different interpretations exist among the numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, which are empowered by law to impose fines, penalties and interest charges.

These factors may create significant tax exposures for the Company. Directors believe that they have understood relevant tax regulations and adequately provided for tax liabilities based on their interpretation of the current tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant.

##### **3.2 Critical judgments in applying accounting policies**

There are no critical judgements made by the Management in the process of applying the Company's accounting policies that have the most significant effect on the amount recognized in these financial statements apart from those involving estimates, which are dealt with above.



**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****4. CASH ON HAND**

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Head office	7,479	30,193	14,200	57,509
Branches	2,756	11,126	1,111	4,500
	<u>10,235</u>	<u>41,319</u>	<u>15,311</u>	<u>62,009</u>

The above amounts are analysed by currency as follows:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
US Dollars	9,753	39,373	14,498	58,717
Khmer Riel	482	1,946	813	3,292
	<u>10,235</u>	<u>41,319</u>	<u>15,311</u>	<u>62,009</u>

**5. BALANCES WITH THE NBC**

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Statutory deposits:				
Registered share capital	254,765	1,028,486	153,750	622,688
Current account	815	3,290	509	2,061
	<u>255,580</u>	<u>1,031,776</u>	<u>154,259</u>	<u>624,749</u>

\* In compliance with Prakas B7-06-209 dated 13 September 2006 on the Licensed Microfinance Institutions, the Company is required to maintain a statutory capital deposit with the NBC at 5% of paid-up capital. This deposit is refundable should the Company voluntarily liquidate or cease its operations.

The statutory capital deposit in US\$ earns interest at the rate of 0.22% (2015: 0.11%) per annum. The interest payment is settled semi-annually.

**6. BALANCES WITH OTHER BANKS**

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Current accounts	9,339	37,701	4,330	17,537
Saving accounts	1,051,906	4,246,545	237,194	960,636
	<u>1,061,245</u>	<u>4,284,246</u>	<u>241,524</u>	<u>978,173</u>

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****6. BALANCES WITH OTHER BANKS (continued)**

Balances with other banks are analysed as follows:

		<b>31 December 2016</b>		<b>31 December 2015</b>	
		<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
(a)	By currency				
	US Dollars	<u>1,061,245</u>	<u>4,284,246</u>	<u>241,524</u>	<u>978,173</u>
(b)	By type				
	Current accounts				
	ACLEDA Bank Plc.	7,651	30,887	3,827	15,500
	Phnom Penh				
	Commercial Bank	612	2,471	-	-
	Vattanac Bank Plc.	573	2,313	-	-
	Canada Bank Plc.	<u>503</u>	<u>2,031</u>	<u>503</u>	<u>2,037</u>
		<u>9,339</u>	<u>37,702</u>	<u>4,330</u>	<u>17,537</u>
	Saving accounts				
	ACLEDA Bank Plc.	520,181	2,099,970	128,243	519,384
	Canada Bank Plc.	<u>531,725</u>	<u>2,146,574</u>	<u>108,951</u>	<u>441,252</u>
		<u>1,051,906</u>	<u>4,246,544</u>	<u>237,194</u>	<u>960,636</u>
		<u>1,061,245</u>	<u>4,284,246</u>	<u>241,524</u>	<u>978,173</u>
(c)	By maturity				
	Within 1 month	<u>1,061,245</u>	<u>4,284,246</u>	<u>241,524</u>	<u>978,173</u>
(d)	By interest rate (per annum):				
	Current accounts		Nil		Nil
	Saving accounts		0.015%-0.75%		0.50%-0.75%

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****7. LOANS TO CUSTOMERS**

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Individual loans	9,651,063	38,961,341	7,894,274	31,971,810
Group loans	174,230	703,367	121,843	493,464
Loans to customers - gross	<u>9,825,293</u>	<u>39,664,708</u>	<u>8,016,117</u>	<u>32,465,274</u>
Allowances for bad and doubtful loans:				
Specific	(40,161)	(162,130)	(23,452)	(94,981)
General	<u>(57,774)</u>	<u>(233,234)</u>	<u>(30,378)</u>	<u>(123,031)</u>
	<u>(97,935)</u>	<u>(395,364)</u>	<u>(53,830)</u>	<u>(218,012)</u>
Loans to customers - net	<u>9,727,358</u>	<u>39,269,344</u>	<u>7,962,287</u>	<u>32,247,262</u>

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

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
At 1 January	53,830	218,012	14,933	60,479
Addition during the year	54,097	218,390	38,897	157,533
Written off during the year	(9,992)	(40,338)	-	-
Currency translation differences	-	(700)	-	-
At 31 December	<u>97,935</u>	<u>395,364</u>	<u>53,830</u>	<u>218,012</u>

Loans to customers are analysed as follows:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
(a) By maturity				
Within 1 month	24,047	97,079	17,617	71,349
> 1 to 3 months	24,966	100,786	25,742	104,255
> 3 to 12 months	953,038	3,847,414	811,284	3,285,700
More than 12 months	<u>8,823,242</u>	<u>35,619,429</u>	<u>7,161,474</u>	<u>29,003,970</u>
	<u>9,825,293</u>	<u>39,664,708</u>	<u>8,016,117</u>	<u>32,465,274</u>
(b) By currency				
US Dollars	<u>9,825,293</u>	<u>39,664,708</u>	<u>8,016,117</u>	<u>32,465,274</u>

On 1 December 2016, the NBC issued a Prakas No. B7-016-334 on Provision of Credit in National Currency of Banking and Financial Institutions, required all institutions to have loans in national currency (KHR) at least 10% of the total loan portfolio. The Company is required to fully implement this requirement by 31 December 2019.

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****7. LOANS TO CUSTOMERS (continued)**

Loans to customers are analysed as follows:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
(c) By economic sector				
Household/family	358,678	1,447,984	335,727	1,359,694
Agriculture	1,628,601	6,574,662	1,489,464	6,032,329
Construction	1,655,437	6,682,999	1,585,400	6,420,870
Transportation	1,788,995	7,222,171	1,959,904	7,937,611
Services	1,396,212	5,636,508	1,114,046	4,511,886
Trade and commerce	1,603,176	6,472,023	1,503,494	6,089,151
Staff loans	92,354	372,833	6,968	28,221
Other categories	1,301,840	5,255,528	21,114	85,512
	<u>9,825,293</u>	<u>39,664,708</u>	<u>8,016,117</u>	<u>32,465,274</u>
(d) By residency status				
Residents	<u>9,825,293</u>	<u>39,664,708</u>	<u>8,016,117</u>	<u>32,465,274</u>
(e) By relationship				
Staff loans	92,354	372,833	6,968	28,221
Non-related parties	<u>9,732,939</u>	<u>39,291,875</u>	<u>8,009,149</u>	<u>32,437,053</u>
	<u>9,825,293</u>	<u>39,664,708</u>	<u>8,016,117</u>	<u>32,465,274</u>
(f) By location				
Head office	1,472,185	5,943,211	6,451,478	26,128,486
Branches	<u>8,353,108</u>	<u>33,721,497</u>	<u>1,564,639</u>	<u>6,336,788</u>
	<u>9,825,293</u>	<u>39,664,708</u>	<u>8,016,117</u>	<u>32,465,274</u>
(g) By performance				
Standard loans				
Secured	9,540,121	38,513,470	7,777,777	31,499,997
Unsecured	187,236	755,873	184,510	747,265
Sub-standards loans				
Secured	38,283	154,545	19,737	79,935
Unsecured	243	983	2,448	9,915
Doubtful loans				
Secured	32,196	129,974	12,231	49,536
Unsecured	806	3,254	2,643	10,703
Loss loans				
Secured	14,475	58,437	7,940	32,157
Unsecured	<u>11,933</u>	<u>48,172</u>	<u>8,831</u>	<u>35,766</u>
	<u>9,825,293</u>	<u>39,664,708</u>	<u>8,016,117</u>	<u>32,465,274</u>

Secured loans are collateralised by hard and soft title deed. Soft title deed is not issued by cadastral department. Unsecured loans represent the uncollateralised loans.

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****7. LOANS TO CUSTOMERS (continued)**

(h) By interest rate (per annum)		
Group loan	22.20% - 36.00%	32.40% - 36.00%
Individual loans	19.20% - 22.80%	0% - 33.60%

On 13 March 2017, the NBC issued the Prakas No. B7-017-109 on Interest Rate Ceiling on Loans, requiring the microfinance deposit-taking institutions, microfinance institutions, and rural credit operators to set the interest rate not exceeding 18% per annum, effective from 1 April 2017 for all new loans, restructured loans and refinancing loans.

**8. EQUITY INVESTMENT**

This represents the investment in Credit Bureau Holding (Cambodia) Ltd ("CBH") through the Cambodia Microfinance Association. CBH is one of shareholders of Credit Bureau (Cambodia) Co., Ltd which is a company operating as the leading provider of information, analytical tools and credit reporting services in the Kingdom of Cambodia.

**9. OTHER ASSETS**

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Interest receivable	111,556	450,352	94,866	384,207
Interest in suspense	(8,940)	(36,091)	(5,691)	(23,049)
Net interest receivable	102,616	414,261	89,175	361,158
Prepaid rent	45,012	181,713	41,035	166,192
Deposit in registered stock share of Consorzio Etimos S.C. (*)	6,553	26,454	6,553	26,540
Others	7,958	32,127	2,359	9,554
	<b>162,139</b>	<b>654,555</b>	<b>139,122</b>	<b>563,444</b>

(\*) In accordance with the loan agreement with Consorzio Etimos S.C., the Company was required to subscribe a number of Consorzio Etimos S.C. share at EUR258 per share with total value of EUR4,386 (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 was to be repaid following the loan maturity date or when the Company pays off the loans. Although the loan has been paid off, the Company has not withdrawn the deposit to maintain relationship with the overseas lender.

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**10. PROPERTY AND EQUIPMENT**

	<b>Leasehold improvement US\$</b>	<b>Office equipment US\$</b>	<b>Computer &amp; IT equipment US\$</b>	<b>Furniture &amp; fixtures US\$</b>	<b>Motor vehicles US\$</b>	<b>Total US\$</b>
<b>Costs</b>						
At 1 January 2016	15,100	16,014	32,157	21,115	44,137	128,523
Addition	7,934	4,321	7,349	765	4,745	25,113
Disposals	(662)	-	(1,933)	-	(3,450)	(6,044)
At 31 December 2016	22,372	20,335	37,573	21,880	45,432	147,592
<b>Less: Accumulated depreciation</b>						
At 1 January 2016	4,831	6,938	23,663	14,218	39,382	89,032
Depreciation for the year	6,033	3,348	7,652	1,916	2,323	21,273
Disposals	(662)	-	(1,165)	-	(3,212)	(5,038)
At 31 December 2016	10,203	10,286	30,150	16,134	38,493	105,267
<b>Carrying amounts</b>						
At 31 December 2016	12,169	10,049	7,423	5,746	6,939	42,325
At 31 December 2016 (KHR'000)	49,126	40,568	29,967	23,197	28,013	170,866

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**10. PROPERTY AND EQUIPMENT** (continued)

	<b>Leasehold improvement US\$</b>	<b>Office equipment US\$</b>	<b>Computer &amp; IT equipment US\$</b>	<b>Furniture &amp; fixtures US\$</b>	<b>Motor vehicles US\$</b>	<b>Total US\$</b>
<b>Costs</b>						
At 1 January 2015	10,639	5,394	34,134	17,372	44,137	111,676
Addition	5,090	10,620	10,343	4,851	-	30,904
Disposal	(629)	-	(12,320)	(1,108)	-	(14,057)
At 31 December 2015	15,100	16,014	32,157	21,115	44,137	128,523
<b>Less: Accumulated depreciation</b>						
At 1 January 2015	3,428	3,913	26,998	12,933	37,797	85,069
Depreciation for the year	2,009	3,025	8,494	2,297	1,585	17,410
Disposal	(606)	-	(11,829)	(1,012)	-	(13,447)
At 31 December 2015	4,831	6,938	23,663	14,218	39,382	89,032
<b>Carrying amounts</b>						
At 31 December 2015	10,269	9,076	8,494	6,897	4,755	39,491
At 31 December 2015 (KHR'000)	41,588	36,758	34,401	27,933	19,258	159,938

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**11. AMOUNTS DUE TO SHAREHOLDERS**

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Borrowings from shareholders				
Mr. An Bunhak	-	-	890,000	3,604,500
Mr. Pa Ponnak Rithy	20,000	80,740	10,000	40,500
Gojo & Company, Inc.	500,000	2,018,500	2,485,494	10,066,251
	<u>520,000</u>	<u>2,099,240</u>	<u>3,385,494</u>	<u>13,711,251</u>

The above amounts are analysed as follows:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
(a) By maturity				
Within 1 month	20,000	80,740	3,085,494	12,496,251
> 1 to 3 months	500,000	2,018,500	100,000	405,000
> 3 to 12 months	-	-	200,000	810,000
More than 12 months	-	-	-	-
	<u>520,000</u>	<u>2,099,240</u>	<u>3,385,494</u>	<u>13,711,251</u>
(b) By currency				
US Dollars	520,000	2,099,240	1,300,000	5,265,000
JP Yen	-	-	2,085,494	8,446,251
	<u>520,000</u>	<u>2,099,240</u>	<u>3,385,494</u>	<u>13,711,251</u>
(c) By interest rate				
US dollars	8.00%-10.00%		9.60%-10.00%	
JP Yen	-		7.00%	

**12. BORROWINGS**

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
ACLEDA Bank Plc.	750,000	3,027,750	350,000	1,417,500
SME Finance B.V.	625,193	2,523,904	-	-
Oikocredit	500,000	2,018,500	-	-
Mrs. Sok Keo	400,000	1,614,800	-	-
Mr. Meng Leang	-	-	200,000	810,000
Luxembourg Microfinance and Development Fund SICAV	300,000	1,211,100	-	-
Vattanac Bank Plc.	253,560	1,023,622	-	-
KIVA Microfunds	61,081	246,584	38,375	155,419
	<u>2,889,834</u>	<u>11,666,260</u>	<u>588,375</u>	<u>2,382,919</u>



**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****12. BORROWINGS (continued)**

The above amounts are analysed as follows:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
(a) By maturity				
Within 1 month	61,081	246,584	238,375	965,419
> 1 to 3 months	-	-	-	-
> 3 to 12 months	400,000	1,614,800	50,000	202,500
1 to 5 years	2,428,753	9,804,876	300,000	1,215,000
	<u>2,889,834</u>	<u>11,666,260</u>	<u>588,375</u>	<u>2,382,919</u>
(b) By currency				
US Dollars	2,264,641	9,142,356	588,375	2,382,919
Euro	625,193	2,523,904	-	-
	<u>2,889,834</u>	<u>11,666,260</u>	<u>588,375</u>	<u>2,382,919</u>
(c) By interest rate				
US Dollars		8.00%-11.05%		8.00%-10.00%
Euro		6.25%		-

**13. PROVIDENT FUND OBLIGATIONS**

The movements in provision for provident fund are as follows:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Balance at beginning of year	75,535	305,917	63,611	257,625
Payment during the year	(10,270)	(41,460)	(9,522)	(38,564)
Contribution by the Company	12,893	52,049	9,370	37,948
Contribution by staff	14,715	59,404	12,076	48,908
Currency translation differences	-	(982)	-	-
Balance at end of year	<u>92,873</u>	<u>374,928</u>	<u>75,535</u>	<u>305,917</u>

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****14. OTHER LIABILITIES**

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Interest payable	18,701	75,496	23,034	93,288
Insurance for staff	5,321	21,481	5,321	21,550
Accrued professional fees	18,424	74,378	22,744	92,113
Salary and withholding tax payable	9,480	38,271	8,391	33,983
Others	39,306	158,678	10,841	43,906
	<u>91,232</u>	<u>368,304</u>	<u>70,331</u>	<u>284,840</u>

**15. INCOME TAX****(a) Deferred tax assets, net**

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

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Deferred tax assets	49,717	200,708	28,119	113,882
Deferred tax liabilities	-	-	(240)	(972)
	<u>49,717</u>	<u>200,708</u>	<u>27,879</u>	<u>112,910</u>

The movement of net deferred tax assets is as follows:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Balance at beginning of year	27,879	112,910	6,089	24,661
Credited to income statement	21,838	88,160	21,790	88,249
Currency translation differences	-	(362)	-	-
Balance at end of year	<u>49,717</u>	<u>200,708</u>	<u>27,879</u>	<u>112,910</u>

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****15. INCOME TAX (continued)****(a) Deferred tax assets, net (continued)**

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

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Provident fund	-	-	7,554	30,594
Depreciation and amortization	153	618	(240)	(972)
General allowance on loans to customers	12,325	49,758	6,076	24,608
Unrealized exchange loss	33,271	134,312	14,489	58,680
Payable to related parties	3,968	16,020	-	-
	<u>49,717</u>	<u>200,708</u>	<u>27,879</u>	<u>112,910</u>

**(b) Current income tax liability**

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Balance at beginning of year	84,808	343,472	28,104	113,821
Current income tax expense	155,006	625,759	97,110	393,295
Income tax paid	(103,734)	(418,775)	(40,406)	(163,644)
Currency translation differences	-	(1,101)	-	-
	<u>136,080</u>	<u>549,355</u>	<u>84,808</u>	<u>343,472</u>

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 revenue, whichever is higher.

	<b>Year ended 31 December 2016</b>		<b>Year ended 31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Current income tax	155,006	625,759	97,110	393,295
Deferred tax expense	(21,838)	(88,160)	(21,790)	(88,249)
	<u>133,168</u>	<u>537,599</u>	<u>75,320</u>	<u>305,046</u>

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****15. INCOME TAX (continued)****(c) Income tax expense**

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:

	<b>Year ended 31 December 2016</b>		<b>Year ended 31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Profit before income tax	526,682	2,126,215	352,749	1,428,633
Income tax using statutory rate	105,336	425,243	70,550	285,728
Non-deductible expenses	27,831	112,356	6,160	24,948
Effect of over provision in prior year	-	-	(1,390)	(5,630)
Income tax expense	133,168	537,599	75,320	305,046

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

**16. SHARE CAPITAL**

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Registered, issued and fully paid 509,529 ordinary shares (2015: 307,500) of US\$10 each	5,095,290	20,569,686	3,075,000	12,453,750

The details of shareholding were as follows:

	<b>31 December 2016</b>			<b>31 December 2015</b>		
	<b>% of Ownership</b>	<b>Number of shares</b>	<b>Amount US\$</b>	<b>% of Ownership</b>	<b>Number of shares</b>	<b>Amount US\$</b>
Gojo & Company, Inc.	61.63%	314,029	3,140,290	50.40%	155,000	1,550,000
Mr. An Bunhak	19.63%	100,000	1,000,000	18.54%	57,000	570,000
Ms. Sreng Sivechheng	8.44%	43,000	430,000	13.98%	43,000	430,000
Ms. Sarun Vithourat	8.24%	42,000	420,000	13.66%	42,000	420,000
Mr. Chet Chanprasoeur	1.08%	5,500	55,000	1.79%	5,500	55,000
Mr. Pa Ponnak Rithy	0.86%	4,385	43,850	1.43%	4,385	43,850
Mr. Pa Ponnak Rithy (staff representative)	0.12%	615	6,150	0.20%	615	6,150
	100%	509,529	5,095,290	100%	307,500	3,075,000

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****16. SHARE CAPITAL (continued)**

On 26 December 2016, the Company obtained a principal approval from the National Bank of Cambodia ("NBC") to increase the Company's share capital to USD5,095,290. The Company is in the process of amending the Articles of Incorporation of the increased share capital and the changed shareholding pattern.

**17. INTEREST INCOME**

	Year ended 31 December 2016		Year ended 31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Loans to customers	1,924,084	7,767,527	1,500,603	6,077,442
Deposits and placements with banks	2,582	10,424	2,516	10,190
	<u>1,926,666</u>	<u>7,777,951</u>	<u>1,503,119</u>	<u>6,087,632</u>

**18. INTEREST EXPENSE**

	Year ended 31 December 2016		Year ended 31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Borrowings	123,023	496,644	48,892	198,013
Amounts due to shareholders	100,845	407,111	158,093	640,276
	<u>223,868</u>	<u>903,755</u>	<u>206,985</u>	<u>838,289</u>

**19. OTHER OPERATING INCOME**

	Year ended 31 December 2016		Year ended 31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Penalty income	13,814	55,767	10,455	42,343
Recovery on loans written off	3,889	15,700	4,247	17,200
Others	45,437	183,429	20,264	82,069
	<u>63,140</u>	<u>254,896</u>	<u>34,966</u>	<u>141,612</u>

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****20. OPERATING EXPENSES**

	<b>Year ended 31 December 2016</b>		<b>Year ended 31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Salaries and bonuses	613,676	2,477,410	506,768	2,052,410
Unrealised exchange loss	167,638	676,755	72,443	293,394
Office rental	121,646	491,085	87,953	356,210
Professional fees	91,017	367,436	87,825	355,690
Depreciation	21,273	85,879	17,410	70,511
Fees and commission	21,221	85,669	4,800	19,440
Business meals and entertainment	18,606	75,112	18,450	74,723
Withholding tax	16,019	64,669	16,287	65,962
License fees and expenses	13,029	52,598	13,448	54,464
Provident benefits	12,893	52,049	9,370	37,948
Memberships expense	12,501	50,467	12,954	52,464
Utilities expenses	9,367	37,815	8,597	34,818
Stationery and supplies	8,894	35,905	8,265	33,473
Communication	7,847	31,678	7,819	31,667
Staff materials and incidental travel	7,331	29,595	5,131	20,781
Security expenses	4,755	19,196	4,285	17,354
Motor vehicle operating expenses	3,958	15,978	17,752	71,896
Insurance	3,783	15,272	3,268	13,235
Employees training	3,587	14,481	2,829	11,458
Marketing and advertising expenses	3,104	12,531	5,152	20,866
Repairs and maintenance	1,809	7,303	1,057	4,281
Others	21,205	85,604	27,591	111,744
	<u>1,185,159</u>	<u>4,784,487</u>	<u>939,454</u>	<u>3,804,789</u>

**21. CASH AND CASH EQUIVALENTS**

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Cash on hand	10,235	41,319	15,311	62,009
Deposits and placement with banks	1,062,060	4,287,536	242,033	980,234
	<u>1,072,295</u>	<u>4,328,855</u>	<u>257,344</u>	<u>1,042,243</u>

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****22. COMMITMENTS**

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

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
No later than 1 year	64,324	259,676	54,714	221,592
Later than 1 year and no later than 5 years	162,731	656,945	174,190	705,470
Later than 5 years	-	-	-	-
	<u>227,055</u>	<u>916,621</u>	<u>228,904</u>	<u>927,062</u>

**23. RELATED PARTY TRANSACTIONS AND BALANCES**

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 or who participates in the administration, direction, management or the design and implementation of the internal controls of the Company.

**(a) Related parties transactions**

	<b>Year ended 31 December 2016</b>		<b>Year ended 31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Board of Directors/Key Management Salaries and other benefits	<u>192,548</u>	<u>777,316</u>	<u>103,800</u>	<u>420,390</u>
Interests expenses for amounts Due to shareholders	<u>100,845</u>	<u>407,111</u>	<u>158,093</u>	<u>640,276</u>
	<b>Year ended 31 December 2016</b>		<b>Year ended 31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Borrowing from shareholders				
Gojo & Company, Inc.	3,351,847	13,531,404	2,885,494	11,686,251
Mr. An Bunhak	890,000	3,592,930	890,000	3,604,500
Mr. Pa Ponnak Rithy	20,000	80,740	-	-
Ms. Sreng Sivechheng	40,000	161,480	175,000	708,750
	<u>4,301,847</u>	<u>17,366,554</u>	<u>3,950,494</u>	<u>15,999,501</u>
Repayments to shareholders				
Gojo & Company, Inc.	2,851,847	11,512,904	400,000	1,620,000
Mr. An Bunhak	890,000	3,592,930	-	-
Ms. Sreng Sivechheng	40,000	161,480	175,000	708,750
	<u>3,781,847</u>	<u>15,267,314</u>	<u>575,000</u>	<u>2,328,750</u>

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****23. RELATED PARTY TRANSACTIONS AND BALANCES (continued)****(b) Related parties balances**

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Borrowing from shareholders				
Gojo & Company, Inc.	500,000	2,018,500	2,485,494	10,066,251
Mr. An Bunhak	-	-	890,000	3,604,500
Mr. Pa Ponnak Rithy	20,000	80,740	10,000	40,500
	<u>520,000</u>	<u>2,099,240</u>	<u>3,385,494</u>	<u>13,711,251</u>

**24. 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 and balances with other banks. 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, credit approval processes and procedures implemented to mitigate credit risks and to ensure compliance with NBC guidelines.

The Company holds collateral against loans to customers in the form of mortgage interests over the property and guarantees. Estimates of fair value of these properties are based on the value of collateral assessed at the time of borrowing, and generally are not updated unless there is any significant event affecting the area and/or the status of the property.

The Company applies guidelines for selecting a bank partners for its credit and liquidity risk management.

**(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 committee are responsible for approving loans to customers.



**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**24. FINANCIAL RISK MANAGEMENT** (continued)

**(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. Loans are also provided to those small business borrowers that are deemed profitable.

Management believes that the Company's maximum exposure to credit risk is limited to the carrying amount of loans less provisions for doubtful loans and balances with other banks.

**(iii) Impairment and provisioning policies**

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-02-186 dated 13 September 2002 on loan classification and provisioning. Refer to Note 2 (h) for details.

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****24. FINANCIAL RISK MANAGEMENT** (continued)**(a) Credit risk** (continued)**(iv) Exposure to credit risk with regard to loans to customers**

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Loans to customers				
Neither past due nor impaired	9,699,806	39,158,117	7,940,396	32,158,604
Past due but not impaired	27,552	111,226	21,891	88,658
Individually impaired	97,935	395,365	53,830	218,012
	<u>9,825,293</u>	<u>39,664,708</u>	<u>8,016,117</u>	<u>32,465,274</u>

*Neither past due or impaired*

Loans to customers neither past due nor impaired are good quality loans to customers for which no experience of default. These loans are supported by collaterals and management views that likelihood of default is relatively low.

*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.

*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 the guidelines issued by the NBC, an allowance for doubtful loans to customers is made for loans to customers with payment overdue 30 days or more. 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 2 (h).

**(b) Operational risk**

The operational risk 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 the management and oversight provided by the Board of Directors.

The operational risk management entail the establishment of clear organizational 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 annually to address the operational risks of its micro-finance business.

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016****24. 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. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

The Company has maintained a minimum foreign currency, hence, it has limited exposure to foreign currency exchange risk.

**(i) Foreign currency exchange risk****Concentration of currency risk**

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

	<b>US\$ equivalent</b>				<b>Total</b>
	<b>US\$</b>	<b>KHR</b>	<b>YEN</b>	<b>EUR</b>	<b>US\$</b>
<b>31 December 2016</b>					
<b>Financial assets</b>					
Cash on hand	9,753	482	-	-	10,235
Balances with the NBC	255,580	-	-	-	255,580
Balances with other banks	1,061,245	-	-	-	1,061,245
Loans and advances to customers	9,727,358	-	-	-	9,727,358
Equity investment	10,000	-	-	-	10,000
Other assets	109,169	-	-	-	109,169
<b>Total financial assets</b>	<b>11,173,105</b>	<b>482</b>	<b>-</b>	<b>-</b>	<b>11,173,587</b>
<b>Financial liabilities</b>					
Amounts due to shareholders	520,000	-	-	-	520,000
Borrowings	2,264,641	-	-	625,193	2,889,834
Other liabilities	81,752	-	-	-	81,752
<b>Total financial liabilities</b>	<b>2,866,393</b>	<b>-</b>	<b>-</b>	<b>625,193</b>	<b>3,491,586</b>
<b>Net financial asset position</b>	<b>8,306,712</b>	<b>482</b>	<b>-</b>	<b>(625,193)</b>	<b>7,682,001</b>
Equivalent in KHR'000	33,534,196	1,946	-	(2,523,904)	31,012,238
<b>31 December 2015</b>					
Total financial assets	8,478,296	813	-	-	8,479,109
Total financial liabilities	1,950,315	-	2,085,494	-	4,035,809
<b>Net financial asset position</b>	<b>6,527,981</b>	<b>813</b>	<b>(2,085,494)</b>	<b>-</b>	<b>4,443,300</b>
Equivalent in KHR'000	26,438,323	3,293	(8,446,251)	-	17,995,365

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**24. FINANCIAL RISK MANAGEMENT** (continued)

**(c) Market risk** (continued)

*(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.

Since the interest rates fixed and are subject to change with the market rates, the Company does not use derivative financial instruments to hedge such risk.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**24. FINANCIAL RISK MANAGEMENT** (continued)

**(c) Market risk** (continued)

*(ii) Interest rate risk (continued)*

	<b>Up to 1 month US\$</b>	<b>&gt; 1 – 3 months US\$</b>	<b>&gt; 3 – 12 months US\$</b>	<b>1 – 5 years US\$</b>	<b>Over 5 Years US\$</b>	<b>Non-interest sensitive US\$</b>	<b>Total US\$</b>
<b>31 December 2016</b>							
<b>Assets</b>							
Cash on hand	-	-	-	-	-	10,235	10,235
Balances with the NBC	-	-	254,765	-	-	815	255,580
Balances with other banks	1,051,906	-	-	-	-	9,339	1,061,245
Loans and advances to customers	24,047	24,966	953,038	8,763,092	60,150	(97,935)	9,727,358
Equity investment	-	-	-	-	-	10,000	10,000
Other assets	-	-	-	-	-	109,169	109,169
	<u>1,075,953</u>	<u>24,966</u>	<u>1,207,803</u>	<u>8,763,092</u>	<u>60,150</u>	<u>41,623</u>	<u>11,173,587</u>
<b>Liabilities</b>							
Amounts due to shareholders	20,000	500,000	-	-	-	-	520,000
Borrowings	-	-	400,000	2,428,753	-	61,081	2,889,834
Other liabilities	-	-	-	-	-	81,752	81,752
	<u>20,000</u>	<u>500,000</u>	<u>400,000</u>	<u>2,428,753</u>	<u>-</u>	<u>142,833</u>	<u>3,491,586</u>
Interest re-pricing gap	<u>1,055,953</u>	<u>(475,034)</u>	<u>807,803</u>	<u>6,334,339</u>	<u>60,150</u>	<u>(101,210)</u>	<u>7,682,001</u>
Equivalents in KHR'000	<u>4,262,882</u>	<u>(1,917,712)</u>	<u>3,261,101</u>	<u>25,571,727</u>	<u>242,826</u>	<u>(408,585)</u>	<u>31,012,239</u>

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**24. FINANCIAL RISK MANAGEMENT** (continued)

**(c) Market risk** (continued)

*(ii) Interest rate risk (continued)*

	<b>Up to 1 month US\$</b>	<b>&gt; 1 – 3 months US\$</b>	<b>&gt; 3 – 12 months US\$</b>	<b>1 – 5 years US\$</b>	<b>Over 5 Years US\$</b>	<b>Non-interest sensitive US\$</b>	<b>Total US\$</b>
<b>31 December 2015</b>							
<b>Assets</b>							
Cash on hand	-	-	-	-	-	15,311	15,311
Balances with the NBC	-	-	153,750	-	-	509	154,259
Balances with other banks	237,194	-	-	-	-	4,330	241,524
Loans and advances to customers	17,597	25,742	809,694	7,156,116	-	(46,862)	7,962,287
Equity investment	-	-	-	-	-	10,000	10,000
Other assets	-	-	-	-	-	95,728	95,728
	254,791	25,742	963,444	7,156,116	-	79,016	8,479,109
<b>Liabilities</b>							
Amounts due to shareholders	290,000	-	-	3,095,494	-	-	3,385,494
Borrowings	-	-	50,000	500,000	-	38,375	588,375
Other liabilities	-	-	-	-	-	61,940	61,940
	290,000	-	50,000	3,595,494	-	100,315	4,035,809
Interest re-pricing gap	(35,209)	25,742	913,444	3,560,622	-	(21,299)	4,443,300
Equivalents in KHR'000	(142,596)	104,255	3,699,448	14,420,519	-	(86,261)	17,995,365

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**24. FINANCIAL RISK MANAGEMENT** (continued)

**(c) Market risk** (continued)

*(ii) Interest rate risk (continued)*

*Fair value sensitivity analysis*

No sensitivity analysis is presented for interest rate risk as the fluctuation of interest rates of loan to customers and borrowings are fixed as agreed in contracts.

**(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 is 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, including instalment due.

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**24. FINANCIAL RISK MANAGEMENT** (continued)

**(d) Liquidity risk** (continued)

	<b>Up to 1 month US\$</b>	<b>&gt; 1 – 3 months US\$</b>	<b>&gt; 3 – 12 months US\$</b>	<b>1 – 5 years US\$</b>	<b>Over 5 years US\$</b>	<b>No fixed terms US\$</b>	<b>Total US\$</b>
<b>31 December 2016</b>							
<b>Assets</b>							
Cash on hand	10,235	-	-	-	-	-	10,235
Balances with the NBC	815	-	-	-	-	254,765	255,580
Balances with other banks	1,061,245	-	-	-	-	-	1,061,245
Loans to customers	610,149	1,106,927	4,452,149	6,375,155	6,504	-	12,550,884
Equity investments	-	-	-	-	-	10,000	10,000
Other assets	102,616	-	-	-	-	6,553	109,169
	<u>1,785,060</u>	<u>1,106,927</u>	<u>4,452,149</u>	<u>6,375,155</u>	<u>6,504</u>	<u>271,318</u>	<u>13,997,113</u>
<b>Liabilities</b>							
Amounts due to shareholders	20,000	510,000	-	-	-	-	530,000
Borrowings	-	-	436,667	2,797,209	-	61,081	3,294,957
Other liabilities	76,431	-	-	-	-	5,321	81,752
	<u>96,431</u>	<u>510,000</u>	<u>436,667</u>	<u>2,797,209</u>	<u>-</u>	<u>66,402</u>	<u>3,906,709</u>
Maturity gap	<u>1,688,629</u>	<u>596,927</u>	<u>4,015,482</u>	<u>3,577,946</u>	<u>6,504</u>	<u>204,916</u>	<u>10,090,404</u>
Equivalents in KHR'000	<u>6,816,995</u>	<u>2,409,794</u>	<u>16,210,501</u>	<u>14,444,168</u>	<u>26,257</u>	<u>827,246</u>	<u>40,734,961</u>



**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**24. FINANCIAL RISK MANAGEMENT** (continued)

**(d) Liquidity risk** (continued)

	<b>Up to 1 month US\$</b>	<b>&gt; 1 – 3 months US\$</b>	<b>&gt; 3 – 12 months US\$</b>	<b>1 – 5 years US\$</b>	<b>Over 5 years US\$</b>	<b>No fixed terms US\$</b>	<b>Total US\$</b>
<b>31 December 2015</b>							
<b>Assets</b>							
Cash on hand	15,311	-	-	-	-	-	15,311
Balances with the NBC	509	-	-	-	-	153,750	154,259
Balances with other banks	241,524	-	-	-	-	-	241,524
Loans to customers	381,228	700,613	2,982,435	3,898,011	-	-	7,962,287
Equity investments	-	-	-	-	-	10,000	10,000
Other assets	89,175	-	-	-	-	6,553	95,728
	<u>727,747</u>	<u>700,613</u>	<u>2,982,435</u>	<u>3,898,011</u>	<u>-</u>	<u>170,303</u>	<u>8,479,109</u>
<b>Liabilities</b>							
Amounts due to shareholders	290,000	-	-	3,095,494	-	-	3,385,494
Borrowings	-	-	50,000	500,000	-	38,375	588,375
Other liabilities	56,619	-	-	-	-	5,321	61,940
	<u>346,619</u>	<u>-</u>	<u>50,000</u>	<u>3,595,494</u>	<u>-</u>	<u>43,696</u>	<u>4,035,809</u>
Maturity gap	<u>381,128</u>	<u>700,613</u>	<u>2,932,435</u>	<u>302,517</u>	<u>-</u>	<u>126,607</u>	<u>4,443,300</u>
Equivalent in KHR'000	<u>1,543,568</u>	<u>2,837,483</u>	<u>11,876,362</u>	<u>1,225,194</u>	<u>-</u>	<u>512,758</u>	<u>17,995,365</u>

## **MAXIMA MICROFINANCE PLC.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **24. 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 recognized and the Company recognized 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 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 optimization 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.

#### **25. 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.

#### **26. CURRENT AND NON-CURRENT**

Management presents the financial statements based on liquidity. Information about short-term and long-term of assets and liabilities are disclosed in the financial risk management section. Equity investment, property and equipment and deferred tax assets are non-current assets. Income tax liability is current liability and provident fund obligations are non-current liability.

#### **27. EVENTS AFTER THE REPORTING DATE**

On 13 March 2017, the NBC issued the Prakas No. B7-017-109 on Interest Rate Ceiling on Loans, requiring the microfinance deposit-taking institutions, microfinance institutions, and rural credit operators to set the interest rate not exceeding 18% per annum. This may impact the profitability of the Company.