

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

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

**FOR THE YEAR ENDED 31 DECEMBER 2018**

# **MAXIMA MICROFINANCE PLC.**

## **REPORT OF THE BOARD OF DIRECTORS AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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## 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/Member Non-Executive Director/Member Non-Executive Director/Member Non-Executive Director/Member Non-Executive Director/Independent Board Member Non-Executive Director/Independent Board Member
Management team	Mr. Pa Ponnak Rithy Ms. Sreng Sivechheng Mr. Suon Sophea Mr. Ngory Sorn Mr. Khean Darith Ms. Wong Somaly Ms. Touch Pisey Mr. Khiev Sengdy Ms. Sim Soupheakna  Ms. Lay Sineath Mr. Seng Phanith	Chief Executive Officer Chief Financial Officer Chief Operating Officer Head of Credit Department Head of IT Department Head of Internal Audit Department Head of Finance Department Head of Marketing Department Head of Human Resource Department Head of Admin Department Head of Risk and Compliance
Auditors	Deloitte (Cambodia) Co., Ltd.	



**MAXIMA**  
Microfinance

គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ **ម៉ាកស៊ីម៉ា តីអិលស៊ី**  
MAXIMA Microfinance Plc.

**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 2018.

**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 2018 were as follows:

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	548,733	2,204,809	712,824	2,877,671
Income tax expense	(156,355)	(628,234)	(187,463)	(756,789)
Net profit for the year	392,378	1,576,575	525,361	2,120,882

**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\$99,819 in respect of the Company's net profit for the year ended 31 December 2017. (2017: US\$74,768 in respect of the Company's net profit for the year ended 31 December 2016).

**SHARE CAPITAL**

As at 31 December 2018, the share capital of the Company was US\$5,095,290 (2017: US\$5,095,290).

**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 2018 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 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/Member
- Mr. Muy Mara Non-Executive Director/Member
- Mr. Taejun Shin Non-Executive Director/Member
- Mr. Sanjay Gandhi Non-Executive Director/Member
- 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 Bank are as follows:

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>Holding %</b>	<b>Number of shares of US\$10 each</b>	<b>Holding %</b>	<b>Number of shares of US\$10 each</b>
Mr. An Bunhak	19.63%	100,000	19.63%	100,000
Mr. Chet Chanprasoeur	1.08%	5,500	1.08%	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 ascertain 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 2018, 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 2018, 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: 25 April 2019

## **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 2018, 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 9 to 50.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, 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.

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

Management is responsible for the other information. The other information comprises the corporate information and the Report of the Board of Directors as set out on page 1 and pages 2 to 5, respectively, 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 skepticism 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 those charged with governance 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.



Ung Kimsopheaktra  
Director

Phnom Penh, Kingdom of Cambodia  
Date: 25 April 2019

**MAXIMA MICROFINANCE PLC.****BALANCE SHEET  
AS AT 31 DECEMBER 2018**

	Note	31 December 2018		31 December 2017	
		US\$	KHR'000	US\$	KHR'000
<b>ASSETS</b>					
Cash on hand	4	30,372	122,035	10,288	41,533
Balances with the NBC	5	256,305	1,029,833	255,965	1,033,331
Balances with other banks	6	1,352,721	5,435,233	1,070,755	4,322,638
Loans to customers	7	18,268,951	73,404,645	15,007,833	60,586,622
Equity investment	8	10,000	40,180	10,000	40,370
Other assets	9	442,097	1,776,346	400,416	1,616,477
Property and equipment	10	93,410	375,321	53,841	217,356
Intangible assets	11	21,450	86,186	-	-
Deferred tax assets	17(a)	34,564	138,878	58,631	236,693
<b>TOTAL ASSETS</b>		<b>20,509,870</b>	<b>82,408,657</b>	<b>16,867,729</b>	<b>68,095,020</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
Amounts due to shareholders	12	5,057,351	20,320,436	3,480,000	14,048,760
Borrowings	13	6,709,702	26,959,583	4,863,901	19,635,568
Provident fund obligations	14	-	-	127,666	515,388
Employee benefit obligations	15	58,079	233,361	-	-
Other liabilities	16	260,178	1,045,396	192,145	775,688
Current income tax liability	17(b)	92,828	372,983	164,844	665,475
<b>TOTAL LIABILITIES</b>		<b>12,178,138</b>	<b>48,931,759</b>	<b>8,828,556</b>	<b>35,640,879</b>
<b>EQUITY</b>					
Share capital	18	5,095,290	20,472,875	5,095,290	20,569,686
Share premium	19	1,538,174	6,180,383	1,538,174	6,209,608
Reserves		113,805	457,268	87,537	353,387
Retained earnings		1,584,463	6,366,372	1,318,172	5,321,460
<b>TOTAL EQUITY</b>		<b>8,331,732</b>	<b>33,476,898</b>	<b>8,039,173</b>	<b>32,454,141</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>20,509,870</b>	<b>82,408,657</b>	<b>16,867,729</b>	<b>68,095,020</b>

The accompanying notes on pages 14 to 50 form an integral part of these financial statements.

**MAXIMA MICROFINANCE PLC.****INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	Year ended 31 December 2018		Year ended 31 December 2017	
		US\$	KHR'000	US\$	KHR'000
Interest income	20	3,058,598	12,289,447	2,534,604	10,232,196
Interest expense	21	<u>(891,155)</u>	<u>(3,580,661)</u>	<u>(442,426)</u>	<u>(1,786,074)</u>
<b>Net interest income</b>		2,167,443	8,708,786	2,092,178	8,446,122
Fee and commission income	22	282,800	1,136,290	222,350	897,627
Fee and commission expense		<u>(35,791)</u>	<u>(143,808)</u>	<u>(18,604)</u>	<u>(75,104)</u>
<b>Net fee and commission income</b>		247,009	992,482	203,746	822,523
Other operating income		<u>146,303</u>	<u>587,845</u>	<u>56,033</u>	<u>226,205</u>
<b>Total operating income</b>		2,560,755	10,289,113	2,351,957	9,494,850
Personnel expenses	23	(1,063,337)	(4,272,488)	(916,942)	(3,701,695)
Other operating expenses	24	(679,884)	(2,731,774)	(655,474)	(2,646,148)
Depreciation and amortisation expenses		(61,609)	(247,545)	(25,661)	(103,593)
Allowance for credit facilities	25	<u>(207,192)</u>	<u>(832,497)</u>	<u>(41,056)</u>	<u>(165,743)</u>
<b>Profit before income tax</b>		548,733	2,204,809	712,824	2,877,671
Income tax expense	17(c)	<u>(156,355)</u>	<u>(628,234)</u>	<u>(187,463)</u>	<u>(756,789)</u>
<b>Net profit for the year</b>		<u>392,378</u>	<u>1,576,575</u>	<u>525,361</u>	<u>2,120,882</u>

The accompanying notes on pages 14 to 50 form an integral part of these financial statements.

**MAXIMA MICROFINANCE PLC.****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Share capital</b>	<b>Share premium</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
At 1 January 2018	5,095,290	1,538,174	87,537	1,318,172	8,039,173
Transfer to reserves	-	-	26,268	(26,268)	-
Dividends paid	-	-	-	(99,819)	(99,819)
Net profit for the year	-	-	-	392,378	392,378
At 31 December 2018	<u>5,095,290</u>	<u>1,538,174</u>	<u>113,805</u>	<u>1,584,463</u>	<u>8,331,732</u>
<i>At KHR'000 equivalent</i>	<u>20,472,875</u>	<u>6,180,383</u>	<u>457,268</u>	<u>6,366,372</u>	<u>33,476,898</u>
At 1 January 2017	5,095,290	1,538,174	67,862	887,254	7,588,580
Transfer to reserves	-	-	19,675	(19,675)	-
Dividends paid	-	-	-	(74,768)	(74,768)
Net profit for the year	-	-	-	525,361	525,361
At 31 December 2017	<u>5,095,290</u>	<u>1,538,174</u>	<u>87,537</u>	<u>1,318,172</u>	<u>8,039,173</u>
<i>At KHR'000 equivalent</i>	<u>20,569,686</u>	<u>6,209,608</u>	<u>353,387</u>	<u>5,321,460</u>	<u>32,454,141</u>

The accompanying notes on pages 14 to 50 form an integral part of these financial statements.

**MAXIMA MICROFINANCE PLC.**
**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	Year ended 31 December 2018		Year ended 31 December 2017	
		US\$	KHR'000	US\$	KHR'000
<b>Cash flows from operating activities</b>					
Profit before income tax		548,733	2,204,809	712,824	2,877,671
<i>Adjustments for:</i>					
Depreciation and amortisation expenses	10,11	61,609	247,545	25,661	103,593
Allowance for credit facilities	25	207,192	832,497	41,056	165,743
Provident fund contributions by the Company	14	3,823	15,361	18,622	75,177
Provident fund contributions by staff	14	20,820	83,655	20,178	81,459
Employee benefit obligations	15	58,079	233,361	-	-
Loss on disposal of property and equipment		-	-	3,080	12,434
Effect on exchange loss for borrowing obtained		(26,854)	(107,899)	176,268	711,594
Net interest income		(2,167,443)	(8,708,786)	(2,092,178)	(8,446,122)
		<u>(1,294,041)</u>	<u>(5,199,457)</u>	<u>(1,094,489)</u>	<u>(4,418,451)</u>
<i>Changes in working capital:</i>					
Loans to customers		(3,454,646)	(13,880,768)	(5,321,531)	(21,483,021)
Other assets		(9,030)	(36,283)	(197,356)	(796,726)
Other liabilities		30,819	123,831	15,838	63,937
<i>Cash used in operations</i>		<u>(3,432,857)</u>	<u>(13,793,220)</u>	<u>(5,503,049)</u>	<u>(22,215,810)</u>
Interest received		3,025,947	12,158,255	2,493,683	10,066,998
Interest paid		(853,941)	(3,431,135)	(357,351)	(1,442,626)
Income tax paid	17(b)	(204,304)	(820,897)	(167,613)	(676,654)
Provident fund paid	14	<u>(152,309)</u>	<u>(611,978)</u>	<u>(4,007)</u>	<u>(16,176)</u>
<b>Net cash used in operating activities</b>		<u>(2,911,505)</u>	<u>(11,698,428)</u>	<u>(4,632,826)</u>	<u>(18,702,719)</u>
<b>Cash flows from investing activities</b>					
Purchases of property and equipment	10	(79,727)	(320,343)	(40,257)	(162,518)
Purchase of intangible assets	11	<u>(42,900)</u>	<u>(172,372)</u>	-	-
<b>Net cash used in investing activities</b>		<u>(122,627)</u>	<u>(492,715)</u>	<u>(40,257)</u>	<u>(162,518)</u>
<b>Cash flows from financing activities</b>					
Dividends paid		(99,819)	(401,071)	(74,768)	(301,838)
Proceeds from borrowings		10,488,751	42,143,802	6,165,265	24,889,175
Repayments of borrowings		<u>(7,038,746)</u>	<u>(28,281,681)</u>	<u>(1,407,466)</u>	<u>(5,681,940)</u>
<b>Net cash from financing activities</b>		<u>3,350,186</u>	<u>13,461,050</u>	<u>4,683,031</u>	<u>18,905,397</u>

**MAXIMA MICROFINANCE PLC.****STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Note</b>	<b>Year ended 31 December 2018</b>		<b>Year ended 31 December 2017</b>	
		<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
<b>Net increase in cash and cash equivalents</b>		316,054	1,269,907	9,948	40,160
Cash and cash equivalents at the beginning of the year		1,082,243	4,369,015	1,072,295	4,328,855
Currency translation differences		-	(20,564)	-	-
<b>Cash and cash equivalents at the end of the year</b>	26	<u>1,398,297</u>	<u>5,618,358</u>	<u>1,082,243</u>	<u>4,369,015</u>

The accompanying notes on pages 14 to 50 form an integral part of these financial statements.

## **MAXIMA MICROFINANCE PLC.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **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. 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 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.

The Company's registered office is located at House No. 21AB, Street 271, Sangkat Phsar Doeum Thkov, Khan Chamkamorn, Phnom Penh. The Company's provincial branches are located in Kandal, Kampong Speu and Takeo provinces.

The financial statements were authorised for issue by the Board of Directors on 25 April 2019.

#### **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 years 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.

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.



## **MAXIMA MICROFINANCE PLC.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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

##### **(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.

On 3 January 2019, the NAC issued a Circular No. 004 MoEF.NAC to banks and financial institutions on the implementation of the accounting standards for banks and financial institutions, allowing an option to microfinance institutions to adopt either CIFRS or Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs) for periods beginning 1 January 2019.

The Company opted to adopt the CIFRS. 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 impact of the change of the accounting framework but not fully 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.

###### *(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.

## **MAXIMA MICROFINANCE PLC.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

###### *(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 4,018 (2017: US\$ 1 to KHR 4,037) published by the National Bank of Cambodia.

The financial statements expressed in KHR 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 include cash on hand, unrestricted balances with the NBC, 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 registered share capital as required by the NBC. Balances with the NBC are stated at cost.

##### **(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.

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(h) Allowance for bad and doubtful loans (continued)**

Prior to December 2017, 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 (less than one year):</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 provided as a general allowance at 90% of sub-standard loans and 70% of doubtful loans. Effectively, 100% allowance is provided to loans below standard.

In 2017, the NBC issued a new Prakas No. B7-017-344, dated on 1 December 2017, on Credit Risk Grading and Impairment Provisioning, which requires banks and financial institutions to provide impairment provisioning for short-term and long-term facilities based on new number of days past due.

On 16 February 2018, the NBC issued Circular No. B7-018-001 clarifying on Implementation of Prakas on Credit Risk Grading and Impairment Provisioning, which requires banks and financial institutions to provide impairment provisioning for short-term and long-term facilities as follows:

<b>Classification</b>	<b>Number of past due days</b>		<b>Allowance</b>
	<b>Short-term</b> <i>(one year or less)</i>	<b>Long-term</b> <i>(more than one year)</i>	
General allowance:			
Normal	14 days or less	Less than 30 days	1%
Specific allowance:			
Special mention	15 days – 30 days	30 days – 89 days	3%
Substandard	31 days – 60 days	90 days – 179 days	20%
Doubtful	61 days – 90 days	180 days – 359 days	50%
Loss	91 days or more	360 days or more	100%

## **MAXIMA MICROFINANCE PLC.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

For loans with repayment as quarterly, semi-annually or longer, such loans shall be classified as substandard if their repayments are past due from 5 working days.

In addition, the Prakas also requires banks and financial institutions to provide allowance on other financial products, whether reported on balance sheet or off-balance sheet which give rise to credit risk exposure.

The minimum mandatory allowance for credit facilities is made depending on the classification concerned, unless other information is available to indicate worsening. Both past due and qualitative factors is taken into account for loan classification and provisioning.

Loans are written off to the income statement when the loans are provisioned in full and remain unpaid after maturity date or when the certainty of being uncollectable loans is proven whichever is earlier. Loans written off are taken out of the outstanding loan portfolio and deducted from the allowance for bad and doubtful loans.

Recoveries on loans previously written off are recognised as other operating income in the income statement. Reversal of previous allowance is presented in Allowance for bad and doubtful loans 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.

##### **(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.

## MAXIMA MICROFINANCE PLC.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

##### (k) Property and equipment (continued)

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) Intangible assets

Intangible assets consist of computer software license and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Acquired computer software license is capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. Intangible assets are amortised on a decline basis at the rate of 50% per annum. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

##### (m) 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.

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.

## **MAXIMA MICROFINANCE PLC.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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

##### **(m) Impairment** (continued)

###### *(i) 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.

##### **(n) 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.

##### **(o) 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 fund contributed by the Company 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.

##### **(p) Employee benefit obligations**

###### *Past seniority payment*

Prakas No. 443, issued on 21 September 2018 by the Minister of Labour and Vocational Training, requires the Bank to pay past seniority payment to employees with undetermined duration contract. All employees who have been working before 01 January 2019 and continue to work are entitled to a payment of fifteen (15) days of their average wages of each year of service, totalling not exceeding 6 months, and shall be paid every year starting 2019 as follows.

## **MAXIMA MICROFINANCE PLC.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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

##### **(p) Employee benefit obligations (continued)**

- 7.5 days shall be made in June; and
- 7.5 days shall be made in December of each year.

The past seniority payment is recognised in full during the year 2018 and future seniority payment (amounting to 15 days per annum) to employees are recognised during the employees' periods of service.

On 22 March 2019, MoLVT issued a Directive No. 042/19 on the Back Pay of Seniority Payment Before 2019 for the Enterprise and Institution Beside Textile, Garment and Footwear Sector, postponing the payment of back pay until December 2021 and changing a payment of 15 days of their average wages of each year of service to 6 days:

- 3 days shall be made in June; and
- 3 days shall be made in December of each year.

For employees with determined duration contract, they are entitled to the severance pay at least 5% of their wages paid during the length of the contract.

Employees are not entitled to the remaining past seniority payment upon resignation.

##### **(q) 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.

##### **(r) 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.

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**(s) Reserves**

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

**(t) 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.

**(u) Interest 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.

Interest expenses is recognised on an accrual basis.

**(v) Fee and commission income and other operating income**

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

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

**(w) 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.

**(x) 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 KHR amounts, respectively, unless otherwise stated.



## **MAXIMA MICROFINANCE PLC.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **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.

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

*(i) Allowance for bad and doubtful loans*

The Company is required to follow the mandatory credit risk grading and impairment provisioning in accordance with Prakas No. B7-017-344 dated 1 December 2017 of the NBC and Circular No. B7-018-001 dated 16 February 2018. The NBC requires microfinance institutions to classify their loan portfolios into five classes, and a minimum mandatory level of provision is made depending on the classification concerned. The actual amount could be significantly different from the amount provided in the events that have not been anticipated or when the doubtful amount could be recovered through realisation of the collaterals.

*(ii) Taxation*

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 potential 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 potential.

##### **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 recognised 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 2018****4. CASH ON HAND**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Head office	10,840	43,555	1,164	4,699
Branches	19,532	78,480	9,124	36,834
	<u>30,372</u>	<u>122,035</u>	<u>10,288</u>	<u>41,533</u>

The above amounts are analysed by currency as follows:

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
US Dollars	22,504	90,421	9,202	37,150
Khmer Riel	7,868	31,614	1,086	4,383
	<u>30,372</u>	<u>122,035</u>	<u>10,288</u>	<u>41,533</u>

**5. BALANCES WITH THE NBC**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Statutory deposits (*)	254,765	1,023,646	254,765	1,028,486
Current account	1,540	6,187	1,200	4,845
	<u>256,305</u>	<u>1,029,833</u>	<u>255,965</u>	<u>1,033,331</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 registered share 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 0.62% (2017: 0.36%) per annum. The interest payment is settled semi-annually.

**6. BALANCES WITH OTHER BANKS**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Current accounts	457,243	1,837,202	406,804	1,642,268
Savings accounts	909,142	3,652,933	663,951	2,680,370
	<u>1,366,385</u>	<u>5,490,135</u>	<u>1,070,755</u>	<u>4,322,638</u>
Allowance for impairment	(13,664)	(54,902)	-	-
	<u>1,352,721</u>	<u>5,435,233</u>	<u>1,070,755</u>	<u>4,322,638</u>

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****6. BALANCES WITH OTHER BANKS** (continued)

Balances with other banks are analysed in gross balances as follows:

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
(a) By currency				
US Dollars	1,176,245	4,726,152	1,070,755	4,322,638
Khmer Riel	190,140	763,983	-	-
	<u>1,366,385</u>	<u>5,490,135</u>	<u>1,070,755</u>	<u>4,322,638</u>
(b) By maturity				
Within 1 month	<u>1,366,385</u>	<u>5,490,135</u>	<u>1,070,755</u>	<u>4,322,638</u>
(c) By interest rate (per annum):				
Current accounts		Nil		Nil
Savings accounts		0.015%-0.75%		0.015%-0.75%

**7. LOANS TO CUSTOMERS**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Individual loans	18,108,746	72,760,941	14,765,524	59,608,420
Group loans	<u>412,424</u>	<u>1,657,120</u>	<u>365,988</u>	<u>1,477,494</u>
Loans to customers - gross	<u>18,521,170</u>	<u>74,418,061</u>	<u>15,131,512</u>	<u>61,085,914</u>
Allowances for bad and doubtful loans:				
Specific	(68,167)	(273,895)	(77,471)	(312,750)
General	<u>(184,052)</u>	<u>(739,521)</u>	<u>(46,208)</u>	<u>(186,542)</u>
	<u>(252,219)</u>	<u>(1,013,416)</u>	<u>(123,679)</u>	<u>(499,292)</u>
Loans to customers - net	<u>18,268,951</u>	<u>73,404,645</u>	<u>15,007,833</u>	<u>60,586,622</u>

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

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
At 1 January	123,679	499,292	97,935	395,364
Additions during the year	193,528	777,596	41,056	165,743
Written off during the year	(64,988)	(261,122)	(15,312)	(61,815)
Currency translation differences	-	(2,350)	-	-
At 31 December	<u>252,219</u>	<u>1,013,416</u>	<u>123,679</u>	<u>499,292</u>

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****7. LOANS TO CUSTOMERS** (continued)

Loans to customers are analysed as follows:

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
<i>(a) By maturity</i>				
Within 1 month	23,946	96,216	36,471	147,233
> 1 to 3 months	70,283	282,397	59,949	242,014
> 3 to 12 months	1,254,069	5,038,850	1,083,962	4,375,955
More than 12 months	17,172,872	69,000,598	13,951,130	56,320,712
	<u>18,521,170</u>	<u>74,418,061</u>	<u>15,131,512</u>	<u>61,085,914</u>
<i>(b) By currency</i>				
US Dollars	18,167,604	72,997,433	15,131,512	61,085,914
Khmer Riel	353,566	1,420,628	-	-
	<u>18,521,170</u>	<u>74,418,061</u>	<u>15,131,512</u>	<u>61,085,914</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 2018**

**7. LOANS TO CUSTOMERS** (continued)

Loans to customers are analysed as follows:

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
<i>(c) By economic sector</i>				
Construction	6,800,018	27,322,472	4,938,038	19,934,859
Agriculture	2,939,372	11,810,397	2,302,924	9,296,904
Transportation	2,223,350	8,933,420	2,345,757	9,469,821
Trade and commerce	2,159,948	8,678,670	1,806,914	7,294,512
Services	1,994,504	8,013,917	1,747,498	7,054,649
Household/family	341,954	1,373,971	372,605	1,504,206
Staff loans	114,134	458,590	135,618	547,490
Others	1,947,890	7,826,624	1,482,158	5,983,473
	<u>18,521,170</u>	<u>74,418,061</u>	<u>15,131,512</u>	<u>61,085,914</u>
<i>(d) By residency status</i>				
Residents	<u>18,521,170</u>	<u>74,418,061</u>	<u>15,131,512</u>	<u>61,085,914</u>
<i>(e) By relationship</i>				
Staff loans	114,134	458,591	135,618	547,490
Non-related parties	<u>18,407,036</u>	<u>73,959,470</u>	<u>14,995,894</u>	<u>60,538,424</u>
	<u>18,521,170</u>	<u>74,418,061</u>	<u>15,131,512</u>	<u>61,085,914</u>
<i>(f) By location</i>				
Head office	697,191	2,801,313	1,472,185	5,943,211
Branches	<u>17,823,979</u>	<u>71,616,748</u>	<u>13,659,372</u>	<u>55,142,703</u>
	<u>18,521,170</u>	<u>74,418,061</u>	<u>15,131,512</u>	<u>61,085,914</u>
<i>(g) By performance</i>				
Standard loans				
Secured	17,984,664	72,262,380	14,500,994	58,540,515
Unsecured	420,516	1,689,633	506,839	2,046,108
Special-mentioned loans				
Secured	21,054	84,595	-	-
Unsecured	812	3,263	-	-
Sub-standards loans				
Secured	11,913	47,866	32,107	129,614
Unsecured	1,069	4,295	-	-
Doubtful loans				
Secured	32,430	130,304	24,731	99,840
Unsecured	27	108	-	-
Loss loans				
Secured	44,937	180,558	59,275	239,294
Unsecured	<u>3,748</u>	<u>15,059</u>	<u>7,566</u>	<u>30,543</u>
	<u>18,521,170</u>	<u>74,418,061</u>	<u>15,131,512</u>	<u>61,085,914</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 2018****7. LOANS TO CUSTOMERS** (continued)*(h) By interest rate (per annum)*

	<b>31 December 2018</b>	<b>31 December 2017</b>
Group loan	18.00% - 36.00%	18.00% - 36.00%
Individual loan	16.20% - 33.60%	16.20% - 33.60%
Staff loan	15.60%	15.60%

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.

Interest rates which are higher than statutory interest rate ceiling limits as of 31 December 2018 represent interest rates on loans disbursed prior to the effective date of the new regulation on 1 April 2017.

**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 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Interest receivable	185,128	743,844	152,477	615,550
Interest in suspense	(9,514)	(38,227)	(15,016)	(60,620)
Net interest receivable	175,614	705,617	137,461	554,930
Security deposit (a)	200,000	803,600	200,000	807,400
Prepaid rent	54,623	219,475	48,820	197,086
Deposit in registered stock share of Consorzio Etimos S.C. (b)	6,553	26,330	6,553	26,454
Others	5,307	21,324	7,582	30,607
	<b>442,097</b>	<b>1,776,346</b>	<b>400,416</b>	<b>1,616,477</b>

(a) This balance represents the security deposit placed with Chailease International Financial Service Co., Ltd (the "Lender") of total US\$ 200,000, which represents 20% of the long-term loan obtained. The security deposit received fixed interest rate of 1.20% per annum and the term is 27 months starting from 21 May 2017 to 21 May 2019.

(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 2018**

**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>Year ended 31 December 2018</b>						
<b>Cost</b>						
At 1 January 2018	35,290	23,834	45,768	24,898	45,432	175,222
Additions	<u>5,246</u>	<u>6,683</u>	<u>17,204</u>	<u>3,194</u>	<u>47,400</u>	<u>79,727</u>
At 31 December 2018	<u>40,536</u>	<u>30,517</u>	<u>62,972</u>	<u>28,092</u>	<u>92,832</u>	<u>254,949</u>
<b>Less: Accumulated depreciation</b>						
At 1 January 2018	14,604	13,672	36,247	16,629	40,228	121,381
Depreciation charges for the year	<u>6,918</u>	<u>4,204</u>	<u>13,013</u>	<u>2,873</u>	<u>13,151</u>	<u>40,158</u>
At 31 December 2018	<u>21,522</u>	<u>17,876</u>	<u>49,260</u>	<u>19,502</u>	<u>53,379</u>	<u>161,539</u>
<b>Carrying amount</b>						
At 31 December 2018	<u>19,014</u>	<u>12,641</u>	<u>13,712</u>	<u>8,590</u>	<u>39,453</u>	<u>93,410</u>
<i>In KHR'000 equivalent</i>	<u>76,398</u>	<u>50,792</u>	<u>55,095</u>	<u>34,515</u>	<u>158,522</u>	<u>375,321</u>

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

	<b>Leasehold improvement</b>	<b>Office equipment</b>	<b>Computer &amp; IT equipment</b>	<b>Furniture &amp; fixtures</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Year ended 31 December 2017</b>						
<b>Cost</b>						
At 1 January 2017	22,372	20,335	37,573	21,880	45,432	147,592
Additions	19,578	3,499	11,718	5,462	-	40,257
Disposals	(6,660)	-	(3,523)	(2,444)	-	(12,627)
At 31 December 2017	<u>35,290</u>	<u>23,834</u>	<u>45,768</u>	<u>24,898</u>	<u>45,432</u>	<u>175,222</u>
<b>Less: Accumulated depreciation</b>						
At 1 January 2017	10,203	10,286	30,150	16,134	38,493	105,267
Depreciation charge for the year	8,232	3,386	9,538	2,770	1,735	25,661
Disposal	(3,831)	-	(3,441)	(2,275)	-	(9,547)
At 31 December 2017	<u>14,604</u>	<u>13,672</u>	<u>36,247</u>	<u>16,629</u>	<u>40,228</u>	<u>121,381</u>
<b>Carrying amount</b>						
At 31 December 2017	<u>20,686</u>	<u>10,162</u>	<u>9,521</u>	<u>8,269</u>	<u>5,204</u>	<u>53,841</u>
<i>In KHR'000 equivalent</i>	<u>83,509</u>	<u>41,024</u>	<u>38,436</u>	<u>33,382</u>	<u>21,009</u>	<u>217,356</u>



**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**11. INTANGIBLE ASSETS**

	<b>Software</b>	
	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
<b>Cost</b>		
As at 1 January	-	-
Additions	42,900	-
As at 31 December	42,900	-
<b>Less: Accumulated amortisation</b>		
As at 1 January	-	-
Amortisation charges for the year	21,450	-
As at 31 December	21,450	-
<b>Carrying amount</b>		
As at 31 December	21,450	-
<i>In KHR'000 equivalent</i>	86,186	-

**12. AMOUNTS DUE TO SHAREHOLDERS**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Borrowings from shareholders				
Gojo & Company, Inc.	4,897,351	19,677,556	3,000,000	12,111,000
Ms. Sreng Sivechheng	150,000	602,700	250,000	1,009,250
Mr. An Bunhak	-	-	200,000	807,400
Mr. Pa Ponnak Rithy	10,000	40,180	30,000	121,110
	<u>5,057,351</u>	<u>20,320,436</u>	<u>3,480,000</u>	<u>14,048,760</u>

The above amounts are analysed as follows:

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
(a) By maturity				
Within 1 month	-	-	-	-
> 1 to 3 months	-	-	-	-
> 3 to 12 months	1,057,351	4,248,436	3,480,000	14,048,760
1 to 5 years	4,000,000	16,072,000	-	-
	<u>5,057,351</u>	<u>20,320,436</u>	<u>3,480,000</u>	<u>14,048,760</u>

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**12. AMOUNTS DUE TO SHAREHOLDERS (continued)**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
(b) By currency				
US Dollars	<u>5,057,351</u>	<u>20,320,436</u>	<u>3,480,000</u>	<u>14,048,760</u>
(c) By interest rate				
US Dollars	<u>8.00% - 10.00%</u>		<u>8.00% - 10.00%</u>	

**13. BORROWINGS**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Oikocredit	3,022,220	12,143,280	1,444,440	5,831,204
Luxembourg Microfinance and Development Fund SICAV	1,300,000	5,223,400	300,000	1,211,100
Chailease International Financial Service	975,000	3,917,550	875,000	3,532,375
SME Finance B.V.	665,619	2,674,457	1,168,507	4,717,263
Vattanac Bank Plc.	637,408	2,561,106	198,874	802,854
ACLEDA Bank Plc.	100,000	401,800	390,000	1,574,430
KIVA Microfunds	9,455	37,990	88,274	356,362
Phnom Penh Commercial Bank	-	-	398,806	1,609,980
	<u>6,709,702</u>	<u>26,959,583</u>	<u>4,863,901</u>	<u>19,635,568</u>

The above amounts are analysed as follows:

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
(a) By maturity				
Within 1 month	300,000	1,205,400	-	-
> 1 to 3 months	-	-	488,806	1,973,310
> 3 to 12 months	706,675	2,839,420	188,274	760,062
1 to 5 years	<u>5,703,027</u>	<u>22,914,763</u>	<u>4,186,821</u>	<u>16,902,196</u>
	<u>6,709,702</u>	<u>26,959,583</u>	<u>4,863,901</u>	<u>19,635,568</u>
(b) By currency				
US Dollars	5,546,323	22,285,126	3,695,394	14,918,305
Khmer Riel	497,760	2,000,000	-	-
Euro	<u>665,619</u>	<u>2,674,457</u>	<u>1,168,507</u>	<u>4,717,263</u>
	<u>6,709,702</u>	<u>26,959,583</u>	<u>4,863,901</u>	<u>19,635,568</u>

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****13. BORROWINGS** (continued)

	<b>31 December 2018</b>	<b>31 December 2017</b>
(c) By interest rate		
US Dollars	6.90%-11.05%	7.20%-11.05%
Khmer Riel	9%	-
Euro	6.25%	6.25%

**14. PROVIDENT FUND OBLIGATIONS**

The movements in provision for provident fund are as follows:

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Balance at beginning of year	127,666	515,388	92,873	374,928
Payments during the year	(152,309)	(611,978)	(4,007)	(16,176)
Contributions by the Company	3,823	15,361	18,622	75,177
Contributions by staff	20,820	83,655	20,178	81,459
Currency translation differences	-	76	-	-
Balance at end of year	-	-	127,666	515,388

On 27 October 2018, the Board approved to cease the provident fund obligations and paid all the outstanding amounts to entitled staff.

**15. EMPLOYEE BENEFIT OBLIGATIONS**

This represents the seniority payments obliged by the Company in accordance with the Prakas on Seniority Payment issued by the Ministry of Labour and Vocational Training on 21 September 2018.

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Balance at beginning of year	-	-	-	-
Additions during year	58,079	233,361	-	-
Payments made during the year	-	-	-	-
Balance at end of year	58,079	233,361	-	-

**16. OTHER LIABILITIES**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Interest payable	140,990	566,498	103,776	418,944
Tax payables	24,514	98,497	19,147	77,296
Accrued professional fees	23,688	95,178	30,479	123,044
Insurance for staff	5,321	21,380	5,321	21,481
Others	65,665	263,843	33,422	134,923
	260,178	1,045,396	192,145	775,688

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****17. INCOME TAX****(a) Deferred tax assets**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Deferred tax assets	34,564	138,878	58,631	236,693

The movement of deferred tax assets is as follows:

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Balance at beginning of year (Credited)/debited to income statement	58,631	236,693	49,717	200,708
Currency translation differences	(24,067)	(96,701)	8,914	35,985
	-	(1,114)	-	-
Balance at end of year	34,564	138,878	58,631	236,693

Deferred tax assets are attributable to the following:

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Property and equipment	276	1,109	648	2,616
Allowance for credit facilities	40,194	161,499	9,884	39,902
Unrealised exchange (gain)/loss	(5,906)	(23,730)	32,796	132,397
Payable to related parties	-	-	15,303	61,778
	34,564	138,878	58,631	236,693

**(b) Current income tax liability**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Balance at beginning of year	164,844	665,475	136,080	549,355
Current income tax expense	132,288	531,533	196,377	792,774
Income tax paid	(204,304)	(820,893)	(167,613)	(676,654)
Currency translation differences	-	(3,132)	-	-
Balance at end of year	92,828	372,983	164,844	665,475

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****17. INCOME TAX** (continued)**(c) Income tax expense**

	<b>Year ended 31 December 2018</b>		<b>Year ended 31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Current income tax	132,288	531,533	196,377	792,774
Deferred tax expense	24,067	96,701	(8,914)	(35,985)
Income tax expenses	<u>156,355</u>	<u>628,234</u>	<u>187,463</u>	<u>756,789</u>

Reconciliation between income tax expense and accounting profit is as follows:

	<b>Year ended 31 December 2018</b>		<b>Year ended 31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Profit before income tax	548,733	2,204,809	712,824	2,877,671
Income tax using statutory rate	109,747	440,963	142,564	575,531
Non-deductible expenses	38,358	154,122	44,899	181,258
Effect of under provision in prior year	8,250	33,149	-	-
Income tax expense	<u>156,355</u>	<u>628,234</u>	<u>187,463</u>	<u>756,789</u>
Minimum tax at 1%	<u>33,414</u>	<u>134,257</u>	<u>27,570</u>	<u>111,300</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.

**18. SHARE CAPITAL**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Registered, issued and fully paid 509,529 ordinary shares (2017: 509,529) of US\$10 each	<u>5,095,290</u>	<u>20,472,875</u>	<u>5,095,290</u>	<u>20,569,686</u>

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**18. SHARE CAPITAL** (continued)

The details of shareholding were as follows:

	<b>31 December 2018</b>			<b>31 December 2017</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	61.63%	314,029	3,140,290
Mr. An Bunhak	19.63%	100,000	1,000,000	19.63%	100,000	1,000,000
Ms. Sreng Sivechheng	8.44%	43,000	430,000	8.44%	43,000	430,000
Ms. Sarun Vithourat	8.24%	42,000	420,000	8.24%	42,000	420,000
Mr. Chet Chanprasoeur	1.08%	5,500	55,000	1.08%	5,500	55,000
Mr. Pa Ponnak Rithy	0.86%	4,385	43,850	0.86%	4,385	43,850
Mr. Pa Ponnak Rithy (staff representative)	0.12%	615	6,150	0.12%	615	6,150
	<b>100%</b>	<b>509,529</b>	<b>5,095,290</b>	<b>100%</b>	<b>509,529</b>	<b>5,095,290</b>

**19. SHARE PREMIUM**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>Number of shares</b>	<b>Amount US\$</b>	<b>Number of shares</b>	<b>Amount US\$</b>
3 September 2012 (a)	51,500	121,025	51,500	121,025
17 October 2014 (b)	176,000	574,992	176,000	574,992
16 December 2016 (c)	202,029	842,157	202,029	842,157
	<b>429,529</b>	<b>1,538,174</b>	<b>429,529</b>	<b>1,538,174</b>

- (a) On 3 September 2012, the Board of Directors decided to increase the number of the Company's share capital from 80,000 shares to 131,500 shares that is 51,500 new shares at US\$12.35 per each share. The excess of US\$2.35 per share over par value was recognised as share premium. The increase was approved by NBC on 23 November 2012.
- (b) On 17 October 2014, the Board of Directors resolved to increase the number of share capital from 131,500 shares to 307,500 shares through issuance of an additional 176,000 shares at US\$13.267 each. The excess of US\$3.267 per share over par value was recognised as share premium. The increase was approved by NBC on 30 March 2015.
- (c) On 16 December 2016, the Board of Directors resolved to increase the number of share capital from 307,500 shares to 509,290 shares through issuance of an additional 201,790 shares, which 159,029 shares at US\$14.16 each and 43,000 shares at US\$14.20 each. The excess of US\$4.159974 and US\$4.20 per share, respectively, over par value was recognised as share premium. The increase was approved by NBC on 23 December 2016.

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****20. INTEREST INCOME**

	<b>Year ended 31 December 2018</b>		<b>Year ended 31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Loans to customers	3,052,734	12,265,885	2,530,430	10,215,346
Balances with NBC and other banks	5,864	23,562	4,174	16,850
	<u>3,058,598</u>	<u>12,289,447</u>	<u>2,534,604</u>	<u>10,232,196</u>

**21. INTEREST EXPENSE**

	<b>Year ended 31 December 2018</b>		<b>Year ended 31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Borrowings	467,579	1,878,733	329,410	1,329,828
Amounts due to shareholders	423,576	1,701,928	113,016	456,246
	<u>891,155</u>	<u>3,580,661</u>	<u>442,426</u>	<u>1,786,074</u>

**22. FEE AND COMMISSION INCOME**

	<b>Year ended 31 December 2018</b>		<b>Year ended 31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Loan processing fee	267,308	1,074,044	205,815	830,875
Commission fee on CBC	15,492	62,246	16,535	66,752
	<u>282,800</u>	<u>1,136,290</u>	<u>222,350</u>	<u>897,627</u>

**23. PERSONNEL EXPENSES**

	<b>Year ended 31 December 2018</b>		<b>Year ended 31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Salaries and bonuses	968,060	3,889,665	874,011	3,528,383
Seniority payments	58,079	233,361	-	-
Insurance	18,331	73,654	5,552	22,413
Staff material and incidental travel	10,332	41,514	14,812	59,796
Employee trainings	4,712	18,933	3,945	15,926
Provident benefits	3,823	15,361	18,622	75,177
	<u>1,063,337</u>	<u>4,272,488</u>	<u>916,942</u>	<u>3,701,695</u>

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****24. OTHER OPERATING EXPENSES**

	<b>Year ended 31 December 2018</b>		<b>Year ended 31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Professional fees	199,981	803,524	122,687	495,287
Office rental	182,493	733,257	167,846	677,594
Unrealised exchange loss	79,128	317,936	198,285	800,477
Withholding taxes	40,092	161,090	34,736	140,229
Memberships expense	23,741	95,391	18,483	74,616
License fees and expenses	17,453	70,126	16,417	66,275
Business meals and entertainment	13,978	56,164	11,409	46,058
Utilities expenses	12,361	49,666	11,173	45,105
Communication	11,497	46,195	10,296	41,565
Stationery and supplies	10,398	41,779	10,797	43,587
Security expenses	5,210	20,934	5,230	21,114
Motor vehicle operating expenses	3,913	15,722	4,151	16,758
Marketing and advertising expenses	3,857	15,497	3,019	12,188
Repairs and maintenance	1,641	6,594	1,341	5,414
Others	74,141	297,899	39,604	159,881
	<u>679,884</u>	<u>2,731,774</u>	<u>655,474</u>	<u>2,646,148</u>

**25. ALLOWANCE FOR CREDIT FACILITIES**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Allowance for bad and doubtful loans	193,528	777,595	41,056	165,743
Allowance for balances with other banks	13,664	54,902	-	-
	<u>207,192</u>	<u>832,497</u>	<u>41,056</u>	<u>165,743</u>

**26. CASH AND CASH EQUIVALENTS**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Cash on hand	30,372	122,035	10,288	41,533
Balance with the NBC	1,540	6,188	1,200	4,845
Balances with other banks	1,366,385	5,490,135	1,070,755	4,322,638
	<u>1,398,297</u>	<u>5,618,358</u>	<u>1,082,243</u>	<u>4,369,015</u>



**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****27. COMMITMENTS****(a) Operating lease commitments**

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

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
No later than one year	81,495	327,447	43,656	176,239
Later than one year and no later than five years	187,386	752,917	70,442	284,374
Later than five years	-	-	500	2,019
	<u>268,881</u>	<u>1,080,364</u>	<u>114,598</u>	<u>462,632</u>

**(b) Other commitments**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Capital expenditure	8,580	34,474	-	-
Other commitments	<u>27,720</u>	<u>111,379</u>	<u>-</u>	<u>-</u>
	<u>36,300</u>	<u>145,853</u>	<u>-</u>	<u>-</u>

**28. 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 party transactions**

	<b>Year ended 31 December 2018</b>		<b>Year ended 31 December 2017</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>260,276</u>	<u>1,045,789</u>	<u>190,999</u>	<u>771,063</u>
Interest expense for amounts due to shareholders	<u>423,576</u>	<u>1,701,928</u>	<u>113,016</u>	<u>456,246</u>

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**28. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**(a) Related party transactions (continued)**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Proceeds from borrowings from shareholders				
Gojo & Company, Inc.	5,397,351	21,686,557	3,000,000	12,111,000
Mr. An Bunhak	400,000	1,607,200	200,000	807,400
Mr. Pa Ponnak Rithy	-	-	50,000	201,850
Ms. Sreng Sivechheng	-	-	460,000	1,857,020
	<u>5,797,351</u>	<u>23,293,757</u>	<u>3,710,000</u>	<u>14,977,270</u>
Repayments to shareholders				
Gojo & Company, Inc.	3,500,000	14,063,000	-	-
Mr. An Bunhak	600,000	2,410,800	-	-
Mr. Pa Ponnak Rithy	20,000	80,360	20,000	80,740
Ms. Sreng Sivechheng	100,000	401,800	210,000	847,770
	<u>4,220,000</u>	<u>16,955,960</u>	<u>230,000</u>	<u>928,510</u>

**(b) Related party balances**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Borrowings from shareholders				
Gojo & Company, Inc.	4,897,351	19,677,556	3,000,000	12,111,000
Ms. Sreng Sivechheng	150,000	602,700	250,000	1,009,250
Mr. An Bunhak	-	-	200,000	807,400
Mr. Pa Ponnak Rithy	10,000	40,180	30,000	121,110
	<u>5,057,351</u>	<u>20,320,436</u>	<u>3,480,000</u>	<u>14,048,760</u>

## **MAXIMA MICROFINANCE PLC.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **29 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 the 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.

##### **(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 No. B7-017-344 and Circular No. B7-018-001 on Credit Risk Grading and Impairment Provisioning. Refer to Note 2(h) for detail.

**MAXIMA MICROFINANCE PLC.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****29 FINANCIAL RISK MANAGEMENT** (continued)**(a) Credit risk** (continued)**(iv) Exposure to credit risk with regard to loans to customers**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
Loans to customers				
Neither past due nor impaired	18,236,963	73,276,118	14,984,738	60,493,387
Past due but not impaired	190,083	763,752	23,095	93,235
Individually impaired	94,124	378,191	123,679	499,292
	<u>18,521,170</u>	<u>74,418,061</u>	<u>15,131,512</u>	<u>61,085,914</u>

*Neither past due nor impaired*

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

*Past due but not impaired loans to customers*

Loans less than 31 days past due and 90 days past due for short-term loans and long-term loans, respectively are not considered impaired, unless other information is available to indicate the contrary.

*Impaired loans to customers*

In accordance with Prakas No. B7-017-344 dated 1 December 2017 on the classification and provisioning for loan losses and Circular No. B7-018-001 dated on 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Impairment Provisioning, loans and advances more than 30 days and 89 days past due for short-term loans and long-term loans, respectively are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

In compliance with the guidelines issued by the NBC, a minimum level of specific provision and general provision 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).

Restructuring activities include extended payment arrangements, modification and deferral of payment. Following restructuring, the loan is still kept in its current classification.

According to the new Prakas issued by NBC No. B7-017-344 on Credit Risk Grading and Impairment Provisioning in Article 81, once the loan is restructured it remains in the same category regardless of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within 6 instalments periods and within a period of not less than 6 months.

## MAXIMA MICROFINANCE PLC.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 29. FINANCIAL RISK MANAGEMENT (continued)

##### (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 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 annually to address the operational risks of its micro-finance business.

##### (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 recognised 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 financial assets and financial liabilities, by currency denomination, were as follows:

	US\$ equivalent			Total
	US\$	KHR	EUR	US\$
<b>31 December 2018</b>				
<b>Assets</b>				
Cash on hand	22,504	7,868	-	30,372
Balances with the NBC	256,305	-	-	256,305
Balances with other banks	1,164,482	188,239	-	1,352,721
Loans to customers	17,918,921	350,030	-	18,268,951
Equity investment	10,000	-	-	10,000
Other assets	379,016	3,151	-	382,167
Total financial assets	19,751,228	549,288	-	20,300,516

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**c) Market risk** (continued)

(i) *Foreign currency exchange risk* (continued)

	<b>US\$ equivalent</b>			<b>Total</b>
	<b>US\$</b>	<b>KHR</b>	<b>EUR</b>	<b>US\$</b>
<b>Liabilities</b>				
Amounts due to shareholders	5,057,351	-	-	5,057,351
Borrowings	5,546,323	497,760	665,619	6,709,702
Other liabilities	200,593	3,734	31,337	235,664
<b>Total financial liabilities</b>	<b>10,804,267</b>	<b>501,494</b>	<b>696,956</b>	<b>12,002,717</b>
Net financial asset/(liability) position	8,946,961	47,794	(696,956)	8,297,799
<i>In KHR'000 equivalent</i>	<u>35,948,889</u>	<u>192,036</u>	<u>(2,800,369)</u>	<u>33,340,556</u>
<b>31 December 2017</b>				
Total financial assets	16,697,769	1,086	-	16,498,855
Total financial liabilities	7,348,394	-	1,168,507	8,516,901
Net financial asset/(liability) position	9,349,375	1,086	(1,168,507)	7,981,954
<i>In KHR'000 equivalent</i>	<u>37,743,427</u>	<u>4,384</u>	<u>(4,717,263)</u>	<u>32,223,148</u>

(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 2018**

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

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

*(ii) Interest rate risk (continued)*

	<b>Up to 1 month</b>	<b>&gt; 1 – 3 months</b>	<b>&gt; 3 – 12 months</b>	<b>1 – 5 years</b>	<b>Over 5 Years</b>	<b>Non-interest sensitive</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>31 December 2018</b>							
<b>Assets</b>							
Cash on hand	-	-	-	-	-	30,372	30,372
Balances with the NBC	-	-	254,765	-	-	1,540	256,305
Balances with other banks	900,050	-	-	-	-	452,671	1,352,721
Loans to customers	8,740	66,388	1,230,925	16,914,176	48,722	-	18,268,951
Equity investment	-	-	-	-	-	10,000	10,000
Other assets	-	-	200,000	-	-	182,167	382,167
	<u>908,790</u>	<u>66,388</u>	<u>1,685,690</u>	<u>16,914,176</u>	<u>48,722</u>	<u>676,750</u>	<u>20,300,516</u>
<b>Liabilities</b>							
Amounts due to shareholders	-	-	1,057,351	4,000,000	-	-	5,057,351
Borrowings	300,000	-	706,675	5,703,027	-	-	6,709,702
Other liabilities	-	-	-	-	-	235,664	235,664
	<u>300,000</u>	<u>-</u>	<u>1,764,026</u>	<u>9,703,027</u>	<u>-</u>	<u>235,664</u>	<u>12,002,717</u>
Interest re-pricing gap	<u>608,790</u>	<u>66,388</u>	<u>(78,336)</u>	<u>7,211,149</u>	<u>48,722</u>	<u>441,086</u>	<u>8,297,799</u>
<i>In KHR'000 equivalent</i>	<u>2,446,118</u>	<u>266,747</u>	<u>(314,754)</u>	<u>28,974,397</u>	<u>195,765</u>	<u>1,772,284</u>	<u>33,340,556</u>

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

*(ii) Interest rate risk (continued)*

	<b>Up to 1 month</b>	<b>&gt; 1 – 3 months</b>	<b>&gt; 3 – 12 months</b>	<b>1 – 5 years</b>	<b>Over 5 Years</b>	<b>Non-interest sensitive</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>31 December 2017</b>							
<b>Assets</b>							
Cash on hand	-	-	-	-	-	10,288	10,288
Balances with the NBC	-	-	254,765	-	-	1,200	255,965
Balances with other banks	663,951	-	-	-	-	406,804	1,070,755
Loans to customers	36,471	59,949	1,083,962	13,914,839	36,291	(123,679)	15,007,833
Equity investment	-	-	-	-	-	10,000	10,000
Other assets	-	-	-	200,000	-	144,014	344,014
	<u>700,422</u>	<u>59,949</u>	<u>1,338,727</u>	<u>14,114,839</u>	<u>36,291</u>	<u>448,627</u>	<u>16,698,855</u>
<b>Liabilities</b>							
Amounts due to shareholders	-	-	3,480,000	-	-	-	3,480,000
Borrowings	-	488,806	188,274	4,186,821	-	-	4,863,901
Other liabilities	-	-	-	-	-	173,000	173,000
	<u>-</u>	<u>488,806</u>	<u>3,668,274</u>	<u>4,186,821</u>	<u>-</u>	<u>173,000</u>	<u>8,516,901</u>
Interest re-pricing gap	<u>700,422</u>	<u>(428,857)</u>	<u>(2,329,547)</u>	<u>9,928,018</u>	<u>36,291</u>	<u>275,627</u>	<u>8,181,954</u>
<i>In KHR'000 equivalent</i>	<u>2,827,604</u>	<u>(1,731,296)</u>	<u>(9,404,381)</u>	<u>40,079,409</u>	<u>146,507</u>	<u>1,112,706</u>	<u>33,030,548</u>



**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**29. 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 2018**

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

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

	<b>Up to 1 month</b>	<b>&gt; 1 – 3 months</b>	<b>&gt; 3 – 12 months</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>No fixed terms</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>31 December 2018</b>							
<b>Assets</b>							
Cash on hand	30,372	-	-	-	-	-	30,372
Balances with the NBC	1,540	-	-	-	-	254,765	256,305
Balances with other banks	1,352,721	-	-	-	-	-	1,352,721
Loans to customers	938,162	1,764,055	7,186,772	13,232,984	4,924	-	23,126,898
Equity investments	-	-	-	-	-	10,000	10,000
Other assets	175,614	-	200,000	-	-	6,553	382,167
	<u>2,498,409</u>	<u>1,764,055</u>	<u>7,386,772</u>	<u>13,232,984</u>	<u>4,924</u>	<u>271,318</u>	<u>25,158,463</u>
<b>Liabilities</b>							
Amounts due to shareholders	35,887	71,774	1,380,335	4,057,143	-	-	5,545,139
Borrowings	339,875	52,527	929,667	5,931,461	-	-	7,253,530
Other liabilities	230,343	-	-	-	-	5,321	235,664
	<u>606,105</u>	<u>124,301</u>	<u>2,310,002</u>	<u>9,988,604</u>	<u>-</u>	<u>5,321</u>	<u>13,034,333</u>
Maturity gap	<u>1,892,304</u>	<u>1,639,754</u>	<u>5,076,770</u>	<u>3,244,380</u>	<u>4,924</u>	<u>265,997</u>	<u>12,124,130</u>
<i>In KHR'000 equivalent</i>	<u>7,603,277</u>	<u>6,588,532</u>	<u>20,398,462</u>	<u>13,035,919</u>	<u>19,785</u>	<u>1,068,776</u>	<u>48,714,754</u>

**MAXIMA MICROFINANCE PLC.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**29. FINANCIAL RISK MANAGEMENT** (continued)

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

	<b>Up to 1 month</b>	<b>&gt; 1 – 3 months</b>	<b>&gt; 3 – 12 months</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>No fixed terms</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>31 December 2017</b>							
<b>Assets</b>							
Cash on hand	10,288	-	-	-	-	-	10,288
Balances with the NBC	1,200	-	-	-	-	254,765	255,965
Balances with other banks	1,070,755	-	-	-	-	-	1,070,755
Loans to customers	855,531	1,485,489	6,153,880	10,730,362	4,924	-	19,230,186
Equity investments	-	-	-	-	-	10,000	10,000
Other assets	137,461	-	-	200,000	-	6,553	344,014
	<u>2,075,235</u>	<u>1,485,489</u>	<u>6,153,880</u>	<u>10,930,362</u>	<u>4,924</u>	<u>271,318</u>	<u>20,921,208</u>
<b>Liabilities</b>							
Amounts due to shareholders	4,221	133,821	3,733,734	-	-	-	3,871,776
Borrowings	13,487	584,419	438,418	4,482,185	-	-	5,518,509
Other liabilities	167,679	-	-	-	-	5,321	173,000
	<u>185,387</u>	<u>718,240</u>	<u>4,172,152</u>	<u>4,482,185</u>	<u>-</u>	<u>5,321</u>	<u>9,563,285</u>
Maturity gap	<u>1,889,848</u>	<u>767,249</u>	<u>1,981,728</u>	<u>6,448,177</u>	<u>4,924</u>	<u>265,997</u>	<u>11,357,923</u>
<i>In KHR'000 equivalent</i>	<u>7,629,316</u>	<u>3,097,384</u>	<u>8,000,236</u>	<u>26,031,291</u>	<u>19,878</u>	<u>1,073,830</u>	<u>45,851,935</u>

## **MAXIMA MICROFINANCE PLC.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **29. 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 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.

#### **30. 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.

#### **31. 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, intangible assets and deferred tax assets are non-current assets. Income tax liability is current liability, and provident fund obligations and employee benefits obligations are non-current liabilities.

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

On 22 March 2019, MoLVT issued a Directive No. 042/19 on the Back Pay of Seniority Payment Before 2019 for the Enterprise and Institution Beside Textile, Garment and Footwear Sector, postponing the payment of back pay until December 2021 and changing a payment of 15 days of their average wages of each year of service to 6 days:

- 3 days shall be made in June; and
- 3 days shall be made in December of each year.