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MAXIMA MIKROHERANHVATHO Plc.

Annual Report 2012



Working Together for the Development of Rural
Households

Our Vision

Maxima's vision is to be the leading microfinance institution offering micro-financial services with the highest quality of customer service.

Our Mission

Our mission is to offer micro-financial services with an emphasis on lending to rural poor and low income individuals & groups and small & medium enterprises to improve their living standards and realizing their business goals. Our focus is to provide high quality of service to our customers with a dedicated and committed team and at the same time create value to satisfy all our stakeholders socially and economically.

Strategic Objectives

1. Expand in breadth and depth in order to reach the maximum number of clients
2. Provide high quality products and services
3. Invest in human capital
4. Good working environment
5. Increase shareholder's value
6. Gathering more funds
7. Compliant with all regulations
8. Client protection
9. Promoting brand



Financial Results & Highlights of 2011

In US Dollars	31/12/12	31/12/11	31/12/10	31/12/09	31/12/08	Change
	Audited	Audited	Audited	Audited	Audited	%
Assets	3,405,585	2,762,682	2,195,078	1,816,546	1,665,779	23.27%
Net Loan Outstanding	3,164,810	2,552,227	2,044,614	1,684,057	1,372,285	24.00%
Liabilities	1,805,436	1,844,495	1,633,267	1,310,906	1,332,385	- 2.12%
Issued and Paid Up Capital	1,315,000	800,000	410,000	410,000	270,000	64.38%
Shareholders' Equity	1,600,149	918,187	561,811	50,564	333,394	74.27%
Total Income	781,108	610,126	520,914	451,128	329,277	28.02%
Profit Before Tax	85,631	110,620	124,035	71,167	52,876	- 22.59%
Profit After Tax	61,670	84,500	94,673	52,358	42,292	- 27.02%
Earning Per Share	0.47	1.06	2.31	1.28	1.57	- 55.60%
Dividend Paid-out per Share	0.1	0.20	2.19	0.61	0.74	- 55.60%

1. In 2009 dividend distribution was made 50% after deducting 5% placed into the Reserve Funds.
2. In 2010 dividend distribution was made 100% after deducting 5% placed into the Reserve Funds.
In addition, Retained Earnings will be distributed 100% to its shareholders.
3. In 2011 dividend distribution was made 20% after deducting 5% placed into the Reserve Funds.
4. Assets increased 23.27% to US\$3,405,585
5. Total Loan Outstanding up to 24% to US\$3,164,810
6. Total Liabilities increased 2.12% to US\$1,805,436
7. Total income increased 28.02% to \$ 781,108.
8. Total Net Profit After Tax slightly decreased 27.02% equal to US\$61,670
9. Total Shareholders' Equity increased 74.27% to US\$1,600,149

Maxima Achievements To Date as of 31 December 2011

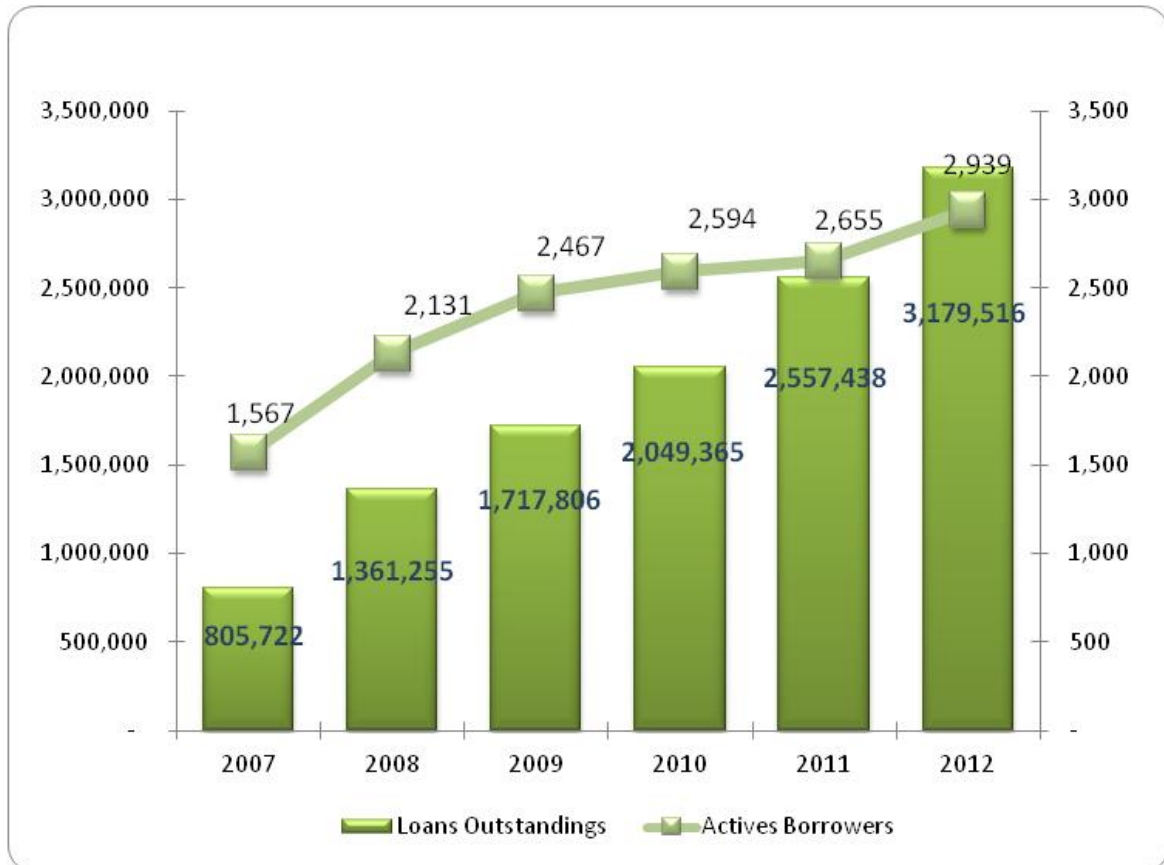
No. of Offices	6	Loan Products	
Head Office	1	Active Borrowers	2,939
Branches at Districts	5	Women Borrowers (%)	70%
Total No. of Staff	75	Portfolio Outstanding	USD 3,179,516
Male	55		
Female	20		



Total Assets/Shareholders' Equity VS Return On Equity



Loans Outstanding VS No. of Active Borrowers



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Vision, Mission and Strategic Objectives

Financial Results and Highlight of 2012

Total Assets/Shareholders' Equity VS Return On Equity

Loans Outstanding VS No. of Active Borrowers

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1. REPORTS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

THE ECONOMY IN 2012



According to estimates economic or called gross domestic product (GDP) in 2012 growth, up 7.3% compared to 2011 growth of only 7.1%. shows better growth in the economy of the country. Experts evaluate the factor driving economic growth is the result of strong macroeconomic situation and achieving industry including expansion of exports, and public and private investment as well as domestic consumption in 2011 and in 2012 and due to the reduction in exports to international market, especially in the United States as well as with tourism and construction in more potential.

In 2012 garments, clothing and shoes work well and industry speaking in general including construction activities are expected to 9.7%, while tourism has increased by 25% with international tourists visiting the country 3.5 million. Meanwhile, services sector grew more than expected to 6.8% in 2012 compared to 2011 is limited to 5%. While rice exports have increased by 17% compared to 2011, while the agricultural production sector increased by 3%. Foreign Direct Investment (FDI) in the Kingdom of Cambodia has been

declining slightly from U.S. \$ 1.33 billion in 2011, only 1.30 billion U.S. dollars in 2012. Khmer Riel exchange rate to the U.S. dollar stability normal change is about 1.7%, compared to the U.S. dollar. The inflation rate is expected to level 3% during 2012, although the value of food and fuel increased, however.

In 2012 financial results in the banking sector and microfinance and we found a remarkable high provided positive points to economic growth and continue to expand operations in more rural areas. The growth is due to the increase in loans to customers, saving-deposits, operational income, assets and net profit. In the commercial banking sector total assets increased by 35% compared to 2011. The loan has increased considerably, up to 35% up to U.S. \$ 5.8 billion from U.S. \$ 4.3 billion last year is equal to 40% of GDP. Deposit, up 29% from \$ 5.2 billion to U.S. \$ 6.7 billion, equivalent to 47% of GDP.

According to the newly-established Credit Bureau of Cambodia (CBC) to obtain a new 100% full use by banks and microfinance institutions in the Kingdom of Cambodia. CBC play an important role in protection and reduce the risk and help improve the risk management and carefully as well as to provide convenient credit information, which is implemented by the bank, microfinance in particular, support the growth of the banking system and provide better information.

According to the report from the Cambodia Microfinance Association collected from 31 microfinance institutions and rural credit operators 3, as well as micro-credit ACLEDA Bank Plc at the end of 2012, we found that the total loan portfolio increased by 60.42% to 1,469,92 million and borrowers total of 1,612,734 people, in which 66.53% were women. Moreover, Deposit of public in the microfinance institutions in 2012 increased by 134.59% to 274.54 million from 114.61 million and total deposits increased by 155.90% to 717,884 compared to the previous year, only 280,538 people.

ECONOMIC OUTLOOK 2013

Future prospects for the Cambodia economy in 2013 will remain stable and the expected growth rate of 7%. Experts evaluated the increase in economic in the coming year, from the growth of the export sector, tourism and real estate. Export garment sector continues to grow steadily while tourism has increased because of foreign tourists to visit more. Property sector remarkable recovery because of the construction sector more separate development, the impact on the agricultural sector due to the floods, less than expectations. Reduce inflation expected to average 3%.



ACHIEVEMENTS IN 2012

Maxima continued success in a more positive in 2012 even though net profit after tax decreased considerably, up 27.02% to \$ 61,670 from \$ 83,829 in 2011. Declining profit after tax because of Maxima decided to transfer prepaid fee a total of US\$ 72,000 to an actual expenses for 2012. Early 2012 Maxima hire NOVA Capital based in New York City, United States to help raising capital investment and loans for the expansion of the company in the following years. At the same time, Maxima paid a total of US\$ 72,000 as retainer fees and this amount will be repaid to Maxima when fund raising capital investment and loan to be successful finalization as planned before the end of 2012, but the actual process lasts until the current and still not successful.

In 2012 Maxima continues to expand contact with the both local and international institutions. Maxima continue to receive additional capital from the current creditors, such as Kiva Microfund Organization based in the United States. Moreover, the creditors in the country, such as ACLEDA Bank, to provide more loans to Maxima in order to expand its operations become more extensive. At the same time, in 2012, the current shareholders of the company including the new shareholders decided to increase the registered capital up to US \$1,315,000 from \$800,000 in 2011. Additional investment of current shareholders, a total of 91,500 shares and from a new shareholder with a total of 40,000 shares.

In 2012 total equity increased by 74.27%, equivalent to US\$ 1,600,149 from 918,187 in 2011. However, return on equity decreased to 5.35% compared to 2011 is 9.2%. While total income increased 28.02% to \$ 781,108 from \$ 610,126 last year. Total assets of the Maxima increased to US\$ 3,405,585 with a growth rate equal to 23.27%. Moreover, loans to customers increased 21.20%, equal to US\$ 4,552,050 from US\$ 3,756,250 at the end of 2011. Maxima decided to distributed dividend of 20% on the net profit after tax in 2012 after the automatically deducted 5% to the reserve fund of the institution. The remaining balance will be rotated into retained earnings account for operations to continue in the following years.

Maxima view in order to respond to the growth of the company, in addition to the participation of the investment shares from shareholders access to external sources of capital is necessary and important to support the expansion of its lending operations.

We found that Maxima has built a good relationship among shareholders, Board of Directors, management and staff as well as other stakeholders and the struggle overcome all the obstacles in business activities and mission to provide loans to people to make the company successful in the current as well as the following years so as on behalf of management, I would like all of us to continue to maintain a good culture forever.

EVENTS IN 2011

- ◆ Double increase the registered capital of 80,000 shares in 2011 to 131,500 shares, equal to the total amount of \$ 1,315,000.
- ◆ Change and to improve the headquarters building
- ◆ Increase 2 offices, especially in rural areas to provide more convenience to customers and working environment for our staff.



GENERAL ASSEMBLY OF SHAREHOLDERS

Annual General Assembly of Shareholders held on 22 April 2013 at the headquarters of the **Maxima Mikroheranhvatho Plc** to review the results achieved in 2012 and the direction of the plan for 2013. Notice of the General Assembly, Annual Report, Meeting Agenda and recommendations of the Board of Directors be given to shareholders in advance pursuant to the Memorandum and Articles of Association Maxima and government regulations.

Key issues, which approved the Annual General Assembly of Shareholders:

- ◆ Annual report 2012
- ◆ Financial report Audited for 2012
- ◆ Target Strategic Plan for 2013
- ◆ Announced the divided distribution of 20% of the total profit in 2012
- ◆ The appointment of Morision Kak as the independent auditor for auditing Maxima in 2014
- ◆ Announced the decision of the Board of Directors and senior management to continue discussions with Garuna Fund in accordance with the terms and conditions in the Memorandum Understanding both agreed and already signed.

Once again, I would like to thank the Board of Directors for the very good cooperation and actively contribution in 2012 and on behalf of the Board of Directors I would like to express our appreciation to the Chief Executive Officer and his management team as well as employees of Maxima for their efforts to bring Maxima to further success.

Finally, as Maxima, I thank you for participation from customers, shareholders, regulators and investors, especially for NBC for their support and always provide confidence to the Maxima.

On behalf of the Board of Directors



Mr. An Bun Hak

Chairman



2. REPORTS OF THE CEO



According to my observations microfinance sector in Cambodia continue to grow steadily in the last few years, in particular, the opening legal environment in 2012 of the Kingdom of Cambodia, microfinance market in the country continues to attract more investment capital into the sector. At the end of 2012, 37 microfinance institutions were widely operating and to the increasingly competitive both in urban and rural areas. Whether the competition, however, Maxima was providing microfinance services to customers increases and better. At the same time, credit quality remains good, the level of credit risk by about 0.46% in 2012, lower than the level of credit risk in microfinance as a whole, which is about 0.48%.

Maxima struggle instead of many obstacles and achieve better results. Positive results show through increased assets to \$ 3,405,585 with a growth rate equal to 23.27%. Moreover, loans disbursement to customers increased by 21.20% from \$ 3,756,250 at the end of 2011 up to US\$ 4,552,050 at the end of 2012, while the total income increased by 30.10%, equivalent to US\$ 793,802 at the end of 2012, compared to US\$ 610,126 at the end of 2011.

Maxima still time to get a better result because of the focus on the quality of the loan portfolio management thoroughly, make non performing loan ratio compared to total loans outstanding at the lower level of risk in the microfinance sector as a whole. Maxima to increase the effective management of the balance sheet, and keep the ratio to a level better in particular, the debt ratio compared to the shareholders' equity.

At the same time, also the main factor driving which led to some progress is changed and to improve the headquarters, opening additional 2 service office, especially in rural areas to provide more convenience to customers and the public gradually increased as well as work environment for our staff.

Maxima has built a good relationship among shareholders, Board of Directors, management and staff as well as other stakeholders and the struggle overcome all the obstacles in business activities and mission to provide loans to people to make the company successful in the current as well as the following years so as on behalf of management, I would like all of us to continue to maintain a good culture forever.

Benefits of competition Maxima is still maintaining reputation, quick service, credit products meet the needs of customers and network operating near the customer, implementing the strategy to create a more representative office near residential customers, in the areas where Maxima is operating. Maxima efforts to improve its credit products, strengthen the operational areas in order to respond to the needs of customers, good customer service as well as timely and more.

By the end of 2012, Maxima has been operating and providing credit customer from its 6 offices, which branches 2 and 4 service offices in 362 villages within 17 districts of the Kandal province and the outskirts of Phnom Penh, increase of 97 villages and 2 districts, compared to 2011. During 2012 we have been operating in 8 districts, 34 communes and 128 villages in Kandal province and the outskirts of Phnom Penh within 9 districts, 59 communes and 242 villages.

In 2012 total staff of Maxima, including senior management was 75, and the staff were 20 women and 55 men. During the year, there were staff resigned up to 10 people, which is equal to 13.33% staff turn over. But Maxima still running smoothly because some of the work to be completed by the volunteer staff.

For financial services activities in 2012, Maxima continues to provide individual loans, group loan and loans to small and medium business and agricultural loan for the season, with the duration of 6 months, 12 months and 20 months. Total loan portfolio of US\$ 3,164,810 with total borrowers of 2,939 families in which the women of about 70%.



In 2012 a credit monitoring program has been established by the IT staff of the company to launch. Although this program is not enough with international standards but it's pretty safe and have the capacity to manage the entire credit activities of the company. We send data and fulfill other technical work for the CBC on time. In 2012, Maxima had collaboration with other microfinance institutions and with the facilitation from the Cambodia Microfinance Association Maxima received grant money from the French Development Agency (AFD) 80% for the company's MIS Software from MBWin for management accounting and portfolio management, including maintenance on software program for a period of 4 years.

To perform the job in 2013 to more effective, strategic priorities are defined as follows:

- ◆ Create a diversification of loan products to respond to customer needs and expand credit for student loan program broadly;
- ◆ Create representative offices near residential customers in rural areas and urban and the use of financial resources more effectively through a loan distribution to customers from one place to another place that needs necessary;
- ◆ Continue to maintain strong asset management and liabilities to ensure that financial resources be used for the development of the client's business and the benefit to the rural economy;
- ◆ Development of human resources to the most effective through both trainings in the institution and sending staff to attend training courses outside the institution to meet the increasing demand of services of the company and to ensure that Maxima continue to provide services with the highest standards;
- ◆ Focus on increasing revenue by increasing loan outstanding to customers and good management to reduce operating costs and increase profits;
- ◆ Work with specialized shareholders and prepare a strategy to develop the capacity for financial services of the institution;
- ◆ Strengthen the internal control and effective risk management; and
- ◆ Seek opportunities to further expand business activities and raise more fund both debt capital and equity.

I am delighted to enjoy abundant and expressed my respect, sincere thanks to all customers, Board of Directors, Management and staff in all levels as well as volunteers in particular thanks to the strongly support of the Royal Government of Cambodia and NBC who has strong management and support microfinance to continue to progress well. Such an active participation and strong support is an important force to the contribution and the successful series of Maxima as well as contribute to rural economic development process even better. I would like you to continue to those commitment and culture. I would like to wish you all successful glory, happiness, and prosperity.

On behalf of the Management



UONG Kimseng
CEO



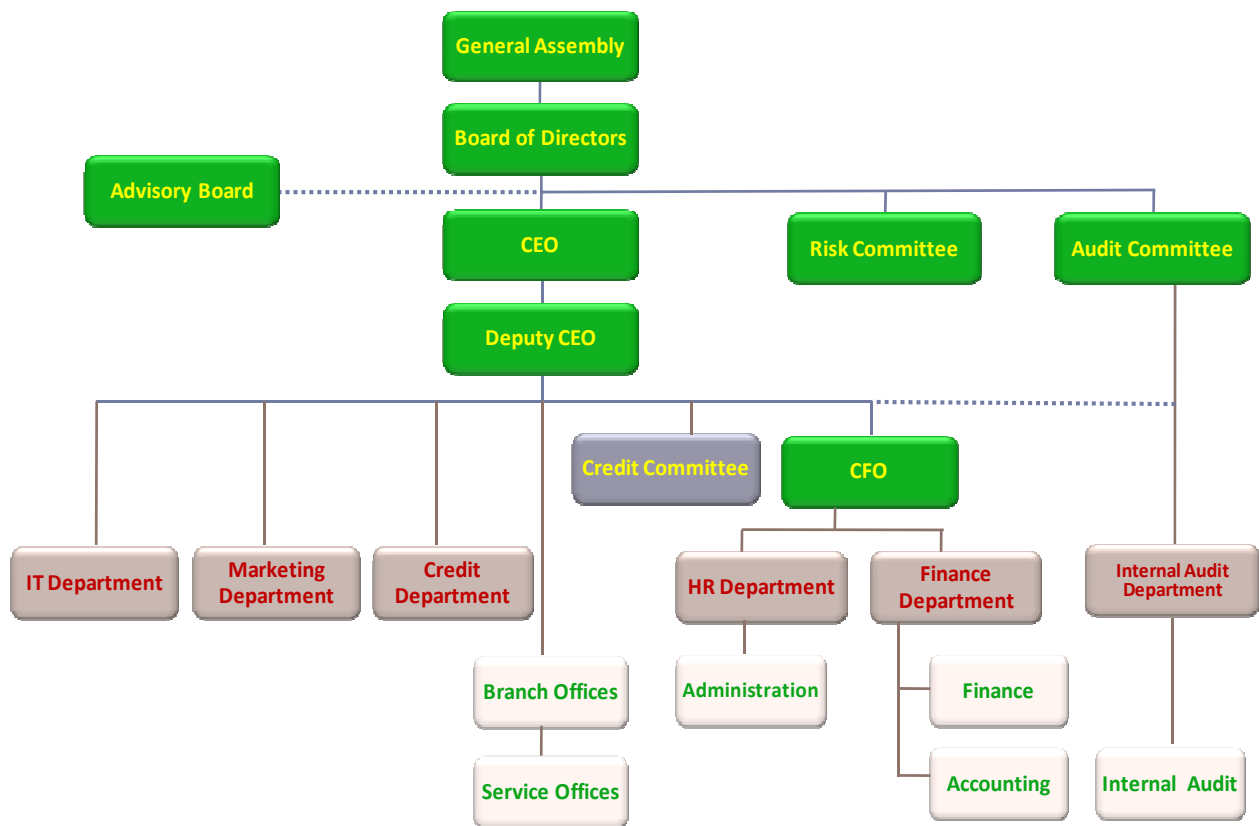
3. MAXIMA BRIEF HISTORY

MAXIMA MIKROHERANHVATHO Plc. was founded in March 2000 by a group of friends both skilled and experienced in financial services and began its micro credit operations in Koh Dach commune, Kandal province. In December of 2001, Maxima registered with the Ministry of Interior as Maxima Organization for Household Economic Development as an NGO and also worked to expand its credit activities to many communes and districts within the Kandal province. Less than a year later in May 2002, MAXIMA registered with the National Bank of Cambodia as a microfinance institution (Registered MFI) for rural credit operator. In August 2005, Maxima obtained a full license as an MFI from the National Bank of Cambodia with the official name Maxima Mikroheranhvatho CO., LTD. In June 2008 the National Bank of Cambodia granted Maxima a permanent license to operate as an MFI in Cambodia. In January 2012, Maxima had transformed from private limited institution to public limited institution.

- 2000** Maxima was founded in March 2000 and began its first micro credit operations on June 1st 2000 in Koh Dach commune, Kandal province.
- 2001** Maxima registered in the Ministry of Interior as an NGO with the official name **Maxima Organization for Household Economic Development**.
- 2002** Maxima registered with the National Bank of Cambodia as a Registered MFI for rural credit operator.
- 2005** Maxima obtained a full license as an MFI from the National Bank of Cambodia with the official name Maxima Mikroheranhvatho CO., LTD.
- 2006** Maxima Board increased Maxima benefits by adding a Staff Provident Fund and Health & Injury Insurance.
- 2007** Maxima partners with Kiva Microfund, an organization based in the USA.
- 2008** In June of 2008, the National Bank of Cambodia granted MAXIMA a permanent license to operate as an MFI. In August, Maxima opened its second branch in Kien Svay district of Kandal province.
- 2009** Maxima was awarded a certificate of recognition for being a global pioneer in the microfinance industry by participating in the Cambodia transparent pricing initiative from Microfinance Transparency Organization. Maxima was awarded a certificate for reporting on social indicators from CGAP.
- 2012** Maxima had transformed from private limited institution to public limited institution with the official name **Maxima Mikroheranhvatho Plc.**



4. COMPANY ORGANIZATIONAL CHART



CORPORATE GOVERNANCE

Maxima Mikroheranhvatho Plc. has strong commitment to govern the company on the good governance principle of clear separation of responsibilities between the Board of Directors acting collectively and answerable to the Shareholders, and an executive management team. Maxima Board of Directors led by the Chairman while the Executive Management Team led by Chief Executive Officer who has the direct day-to-day responsibility for controlling the business and operational affairs, keeping Maxima competitive and profitable.

Audit Committee and Risk Committee have been created to assist the Board in developing the policies and procedures, provide oversight and recommendations to the Board of Directors and are responsible for integrity of Maxima's financial report and effectively implement the risk management.

As of December 2012, the Executive Management of Maxima consists of Chief Executive Officer, Deputy Chief Executive Officer, Chief Finance Officer. Meanwhile, the middle management of Maxima consists of IT Manager, Credit Managers, Human Resources Assistant Manager, Assistant Credit Managers, Assistant Audit Manager, Chief of Accountant, Branch Manager and Internal Auditor.



SHAREHOLDERS

No.	Shareholders	# of Shares	Percentage
1	Ms. SARUN Vithourat	40,000	30.42%
2	Mrs. SRENG Sive Chheng	36,000	27.38%
3	Mr. AN Bunhak	27,000	20.53%
4	Mr. UONG Kimseng	15,000	11.41%
5	Mr. CHET Chan Prasoeur	5,000	3.80%
6	Mr. PA Ponnak Rithy	4,330	3.29%
7	Mrs. BUY Sivantha	2,500	1.90%
8	Maxima staff	1,670	1.27%
	TOTAL	131,500	100.00%

BOARD OF DIRECTORS



Mr. AN BUNHAK, founder and served as Vice-Chairman of Maxima since its inception in 2000 till end of 2011. After restructuring and strengthening of the company governance he has been appointed to serve as Chairman of the Board of Maxima, which he is currently holding. Prior to working at Maxima, Mr. BUNHAK served as Chief of Finance at Pacific Commercial Bank (1995-2000).

Mr. BUNHAK earned his Doctor of Business Administration (DBA) in management from Preston University, USA in 2009. He obtained a Master of Banking and Finance at Ateneo De Zambanga University, Philippines in 2003. In 1995, Mr. BUNHAK graduated from the Faculty of Business, Cambodia and obtained Bachelor of Business Administration in 1995.



Mr. UONG KIMSENG, founder and served as Chairman/ CEO of Maxima since its inception in 2000 till end of 2011. After restructuring and strengthening of the company governance he has been appointed to serve as company Chief Executive Officer, which he is currently holding. Prior to his work in the private sector, Mr. Kimseng served as a Government official from 1995-2002. In February 2006, he was appointed as Advisor to the Cambodia Chamber of Commerce, a position which he still holds.

He earned his Doctor of Business Administration (DBA) in financial management from Preston University, USA in 2005. In 2001, Mr. Kimseng was granted a scholarship from the Australian Government to pursue his Master's degree at Victoria University of Technology, Australia and obtained Master of Business in 2003. In 1995, he graduated from the Faculty of Business in Cambodia and obtained Bachelor of Business Administration.





Mr. PA PONNAK RITHY, Board Member, joined the Board of Maxima in December 2000. He is currently serving as Deputy Chief Executive Officer and in addition to the responsibility of the job of COO. From 1980 to 1995, Mr. Rithy was Deputy Chief of Credit Office of the National Bank of Cambodia in Kampot province. He was Chief of Accounting at Pacific Commercial Bank (1995-1998). From 1998 to 2000 he worked as Accounting and Administration Assistant in LWS, Kampong Speu province.

Mr. Rithy completed his degree in Accounting/Finance and Banking in Cambodia and received Bachelor of Business Administration in 1986.



Ms. SRENG SIVECHHENG, founder and joined the Board of Maxima since the start of the Company in 2000. Ms. Sivechheng is currently serving as Chief Finance Officer. From 1995 to 2000 she worked as Chief of Remittance at Pacific Commercial Bank.

Ms. Sivechheng obtained Bachelor of Business Administration specialize in Management at the National Institute of Management, Cambodia in 2001.



Mr. CHET CHAN PRASOEUR joined the Board of Maxima in December 2000. Mr. Prasoeur is currently serving as Chairman of Audit Committee of the Board of Maxima.

Mr. PRASOEUR is currently pursuing his Master's degree in Business and Law at Build Bright University. He graduated from the Faculty of Business, Cambodia and obtained a Bachelor of Business Administration in 1995.



Mr. YEAN RITHY, Independent Board member, joined the Board of Maxima in April 2012 and is currently serving as Chairman of Risk Committee of Maxima. Mr. Rithy served as a senior accountant at Shell Company of Cambodia from 1993-2002. He has been serving as Finance Manager of Dufry Cambodia Ltd. (2002-present). From 2003 till present he has been a part-time lecturer at Build Bright University and Western University.

Mr. Rithy earned his PhD of Marketing and Doctor of Business Administration (DBA) from Preston University, USA in 2007. In 2005, he obtained Master of Business Administration in Finance and Accountant from Preston University, USA. In 1998, he graduated from the Irish University in Ireland and obtained Bachelor of Business Administration Finance and Banking.



5- LOAN PRODUCTS AND LOAN CATEGORIES

LOAN PRODUCTS

Maxima offers adequate loans and financial services to low-income clients and focus its efforts on those individuals living in rural areas and those who will use the capital to start a new business or expand the existing one. In 2012 Maxima remained provide loans as individuals, groups, or small and medium enterprises (SMEs) and the balloon loan with the loan term can be 6 months, 12 months and 20 months. The loan sizes ranging from \$50 to \$27,000 and interest rate will be charged between 1.9% and 2.8% per month. During the year, Maxima had created new loan products credit line and constant amortization in order to efficiently respond to the actual needs of the clients. In addition, Maxima will add additional products in the near future depending upon customer needs.

RURAL INDIVIDUAL LOANS

Applying to the following all terms and conditions:

- The loan term can be 12 or 20 months with loan sizes ranging from \$50 to \$1,450, and interest rate will be charged from 2.4% to 2.8%;
- Monthly instalments of interest and principal with three months grace period for a 12 month loan period;
- Client should be a permanent residence of the area in which MAXIMA operates with family book record or Khmer ID;
- Age between 18 – 60 years;
- Agreement to borrow between borrower and family members;
- Have legal and profitable business or actual plan for new business, which demonstrates ability to repay the loan and interest;
- Have physical collateral or other related certificate or document.

RURAL GROUP LOANS

All terms of individual loans apply unless otherwise stated:

- The loan term can be 12 or 20 months with loan sizes ranging from \$50 to \$950, and interest rate will be charged from 2.7% to 2.8%;
- Group members: 2-10 members with a selected group leader;
- One borrower per household (but there must be an agreement to borrow between borrower and family members);
- Group members must take joint liability for repayment of loan;
- One of the group members must have physical collateral or other related certificate or document;
- No physical collateral will be needed if every member of the group borrows less than US\$100.

RURAL SMALL-MEDIUM LOANS

Maxima provides loan to SMEs, profitable business or actual plan for new business, which demonstrates ability to repay the loan. All terms of individual loans apply unless otherwise stated:

- The loan sizes ranging from \$1,500 to \$27,000 and the interest rate will be charged from 1.9% to 2.4% per month;



4. BALLOON LOANS

Maxima provides loan to those clients, who need capital to expand its agricultural productions and all terms of individual loans apply unless otherwise stated:

- The loan term can be 12 months with loan sizes less than \$3,000 and the interest rate will be charged 1.9%-2.8% per month;
- Monthly interest payment and principal will be paid at the end of the loan period or during the loan term.

5. CREDIT LINE

Maxima provides loan to those clients, who request for a loan using credit line for subsequent three cycles and all terms of individual loans apply unless otherwise stated:

- The loan term can be 12 months and 24 months with loan sizes ranging from \$50 up to \$7,000 and the interest rate will be charged 1.9%-2.8% per month;

6. CONSTANT AMORTIZATION

Maxima provides loan to those clients, who request for a loan with fix amount for the monthly interest payment and principal and all terms of individual loans apply unless otherwise stated:

- The loan term can be 12 months and 30 months with loan sizes ranging from \$50 up to \$27,000 and the interest rate will be charged 1.9%-2.8% per month;

LOAN CATEGORIES

Maxima provides loans to business categories include agriculture, trades, services, transportation and households/families and other categories.

- **Agriculture Productions**

- ✓ **Plantation:** flower plantation, vegetables, food crops, seeds, fertilizer...

- ✓ **Livestock:** animal husbandry, animal food, fascination...

- ✓ **Fisheries:** fishing tools, gasoline and boat...

- **Trade & Commerce**

- ✓ Purchase of produce contracts, Vendors - whole sale and retails,

- ✓ Processing, making doors/ windows, production of Khmer noodles and other foods

- **Services**

- ✓ Activities of laundry, hair cut, public telephone service, motor-repaired, water supply tube network, battery charging



- **Transportation**

- √ Motor taxi, motor trailer and car taxi...

- **Household business**

- √ Handicraft and grocery at home

- **Family/ consumption**

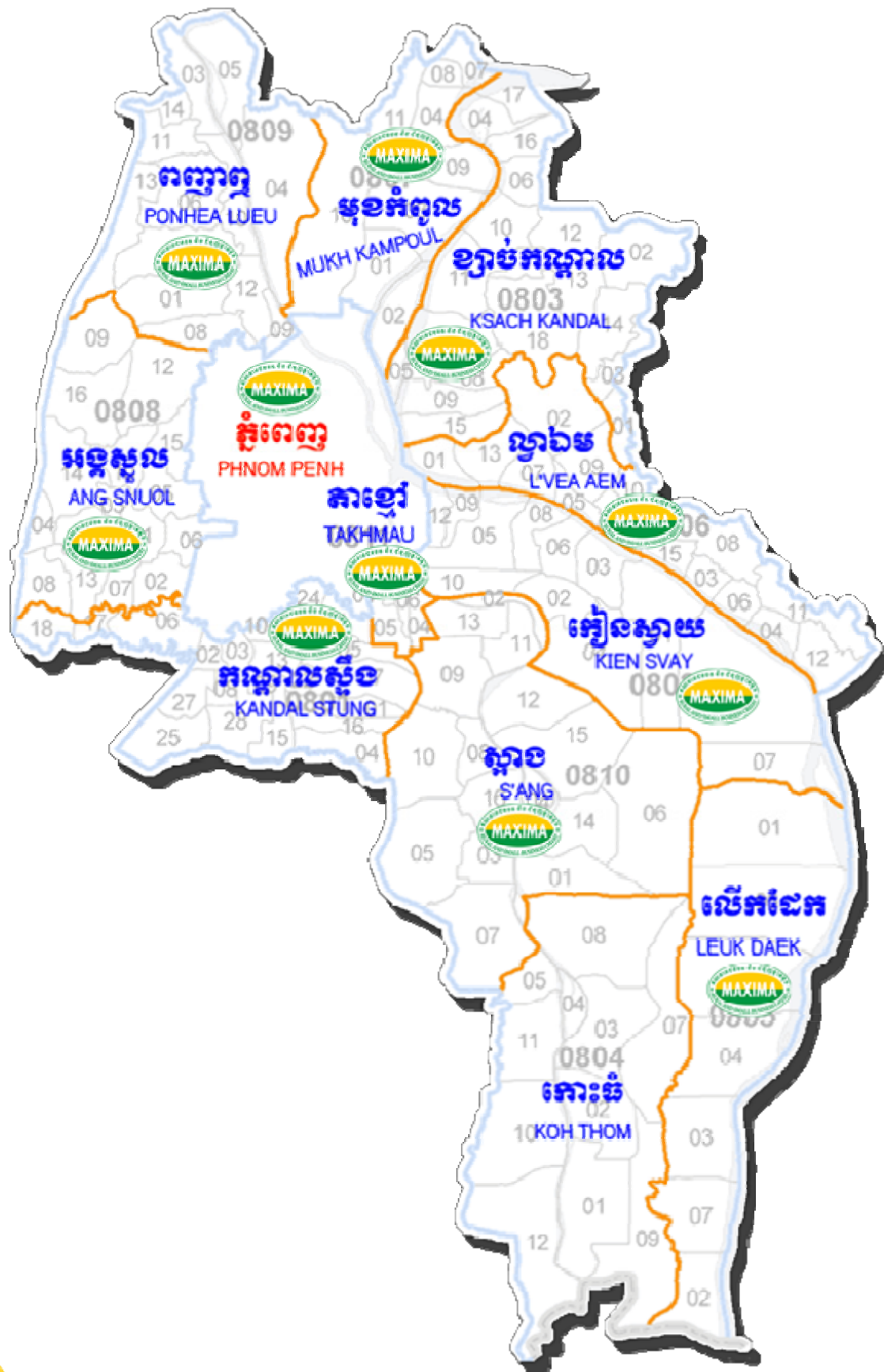
- √ House repair, education and other consumption...

- **Miscellaneous**

- √ All rural small business activities other than agriculture, trade/ commerce, services and household/ family



6- NETWORK OPERATING AREAS



7- REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (“the Directors”) is pleased to submit their report together with the audited financial statements of Maxima Mikroheranhvatho Plc (“the Company”) for the year ended 31 December 2012.

MAXIMA MIRKOHERANHVATHO PLC

The Company was incorporated in the Kingdom of Cambodia on 27 July 2005 and registered with the Ministry of Commerce as a private limited liability company under register number Co-7897/05P dated 27 July 2005. Maxima had transformed from private limited institution to public limited institution with the official name **Maxima Mikroheranhvatho Plc**.

PRINCIPAL ACTIVITIES

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

RESULTS OF OPERATIONS AND DIVIDEND

The results of operations for the year ended 31 December 2012 are set out in the income statement. During the financial year, the Board of Directors declared dividend amounting to USD 15,734 (2011: USD 135,171) after transfer of USD 5,161 (equivalent to 5% of the 2012 net profit) to the reserves in the equity.

STATUTORY CAPITAL

During the year 2012, the Company increased its issued and paid-up capital from USD 800,000 to USD 1,315,000.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL LOANS AND ADVANCES

Before the financial statements of the Company were drawn up, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and advances or making of provisions for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and that adequate provisions have been made. At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances which would render the amount written off for bad loans and advances or the amount of the provision for bad and doubtful loans and advances in the financial statements of the Company inadequate to any material extent.

CURRENT ASSETS

Before the financial statements of the Company were drawn up, the Directors took reasonable steps to ensure that any current assets, other than debts which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Company, have been written down to an amount which they might be expected to realise. At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading in any material respect.



VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- a) no charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, and
- b) no contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of its business operations. In the opinion of the Directors no contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company for the year ended 31 December 2012 were not, in the opinion of the Directors, materially affected by any item, transaction or event of a material and unusual nature. There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to substantially affect the results of the operations of the Company for the current financial year in which this report is made.

THE BOARD OF DIRECTORS

A Board meeting took place on 27 April 2012 whereby a new Board of Directors comprised of six members was elected and appointed on 27 April 2012. The new members of the Board of Directors holding office during the year and as at the date of this report are:

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



DIRECTORS' INTERESTS

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

Shareholder	Holding Number of shares	% of USD10 each
Mr. An Bun Hak	20.53%	27,000
Mr. Uong Kimseng	11.41%	15,000
Ms. Sreng Sive Chheng	27.38%	36,000
Mr. Chet Chan Prasoeur	3.80%	5,000
Mr. Pa Ponnak Rithy	3.29%	4,330
	64.39%	84,670

DIRECTORS' BENEFITS

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

No Director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company with the Director or with a firm of which the Director is a

member, or with a company which the Director has a material financial interest other than as disclosed in the financial statements.

RESPONSIBILITIES OF THE DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible to ensure that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2012 and of its financial performance and cash flows for the year then ended. In preparing these financial statements, the Directors are required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- comply with the disclosure requirements and the National Bank of Cambodia's guidelines and Cambodian Accounting Standards or, if there have been any departures in the interests of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- maintain adequate accounting records and an effective system of internal controls;
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- effectively control and direct the Company in all material decisions and actions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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



APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been drawn up so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and of its financial performance and cash flows for the year then ended in accordance with the National Bank of Cambodia's guidelines and Cambodian Accounting Standards, were approved by the Board of Directors.

On behalf of the Board of Directors



Mr. An Bun Hak

Chairman

Date: 08 April 2013



8- REPORT OF INDEPENDENT AUDITORS

TO THE SHAREHOLDERS AND TO THE BOARD OF DIRECTORS OF MAXIMA MIKROHERANHVATHO PLC

We have audited the accompanying financial statements of Maxima Mikroheranhvatho Plc (“the Company”), which comprise the balance sheet as at 31 December 2012, and the related income statement, statement of changes in equity, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT’S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the National Bank of Cambodia’s guidelines and Cambodian Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS’ RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISA”) and the requirements of the National Bank of Cambodia (“NBC”). Those principles require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

AUDITORS’ OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, of the financial position of the Company as at 31 December 2012 and of its financial performance and cash flows for the year then ended, in accordance with the National Bank of Cambodia’s guidelines and Cambodian Accounting Standards.



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

On behalf of Morison Kak & Associés

Morison Kak & Associés

Certified Public Accountants

Statutory Auditors

A blue ink handwritten signature is written over a circular blue stamp. The stamp contains the text "Morison Kak & Associés Chartered Accountants" in English and Khmer, with two small stars on either side.

Key KAK

Managing Partner

Date: 08 April 2013



9- FINANCIAL REPORT 2012

BALANCE SHEET

AS AT 31 DECEMBER 2012

		2012		2011
	Note	USD	KHR'000	USD
ASSETS				
Cash in hand	4	16,479	65,834	20,238
Deposits and placements with banks	5	36,002	143,828	63,683
Loans and advances to customers - net	6	3,164,810	12,643,416	2,552,227
Equity investment	7	10,000	39,950	10,000
Other assets	8	77,471	309,497	46,565
Statutory deposits with central bank	9	65,750	262,671	40,000
Deferred tax assets	21	5,112	20,422	4,580
Property and equipment	10	29,961	119,694	25,389
TOTAL ASSETS		3,405,585	13,605,312	2,762,682
LIABILITIES AND CAPITAL				
LIABILITIES				
Amounts due to shareholders	11	475,000	1,897,625	150,000
Borrowings	12	1,223,110	4,886,324	1,583,828
Provision for income tax	13	20,137	80,447	25,286
Other liabilities	14	87,189	348,321	85,381
TOTAL LIABILITIES		1,805,436	7,212,717	1,844,495
CAPITAL AND RESERVES				
Share capital	15	1,315,000	5,253,425	800,000
Share premium	15	121,025	483,495	-
Reserves		39,519	157,878	34,358
Retained earning		124,605	497,797	83,829
TOTAL CAPITAL AND RESERVES		1,600,149	6,392,595	918,187
LIABILITIES AND CAPITAL		3,405,585	13,605,312	2,762,682



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



Mr. An Bun Hak

Chairman

Date: 08 April 2013

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



INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

		2012		2011
	Note	USD	KHR'000	USD
Interest income	16	781,108	3,120,526	599,473
Interest expense	17	(154,678)	(617,939)	(100,599)
Net interest income		626,430	2,502,587	498,874
Other operating income	18	12,694	50,713	10,653
Personnel costs	19	(296,953)	(1,186,327)	(255,537)
Operating and other expenses	20	(234,860)	(938,266)	(130,051)
Depreciation expenses	10	(11,086)	(44,289)	(11,595)
Operating profit		96,225	384,418	112,344
Allowances for doubtful loans & advances	6	(10,594)	(42,323)	(1,724)
Profit before income tax		85,631	342,095	110,620
Income tax expense	21	(23,961)	(95,724)	(26,791)
Net profit for the year		61,670	246,371	83,829

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



Mr. An Bun Hak

Chairman

Date: 08 April 2013

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



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Share Cap- ital USD	Share Premium USD	Reverses USD	Retained Earnings USD	TOTAL USD
Balance as at 1 January 2011	410,000	-	11,854	139,957	561,811
Dividend	-	-	-	(135,171)	(135,171)
Capital increase	390,000	-	17,718	-	407,718
Transfer to Reserve	-	-	4,786	(4,786)	-
Net profit for the year	-	-	-	83,829	83,829
Balance as at 31 December 2011	800,000	-	34,358	83,829	918,187
Balance as at 1 January 2012	800,000	-	34,358	83,829	918,187
Dividend	-	-	-	(15,733)	(15,733)
Capital increase	515,000	-	-	-	515,000
Share premium	-	121,025	-	-	121,025
Transfer to Reserve	-	-	5,161	(5,161)	-
Net profit for the year	-	-	-	61,670	61,670
Balance as at 31 December 2012	1,315,000	121,025	39,519	124,605	1,600,149
(KHR'000 equivalents)	5,253,425	483,495	157,878	497,797	6,392,595

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



CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

		2012		2011
	Note	USD	KHR'000	USD
Cash flows from operating activities				
Net cash (used in)/ from operating activities	22	(275,354)	(1,100,039)	(387,982)
Cash flows from investing activities				
Purchase of property and equipment	11	(15,661)	(62,566)	(6,083)
Capital investment	8	-	-	(10,000)
Net cash used in investing activities		(15,661)	(62,566)	(16,083)
Cash flows from financing activities				
Issued share capital		515,000	2,057,425	390,000
Dividend paid		(15,733)	(62,853)	(135,171)
Increased in reserve		-	-	17,718
Share premium		121,025	483,495	-
Proceeds from borrowings		300,000	1,198,500	635,892
Repayment of borrowings		(660,717)	(2,639,564)	(475,000)
Net cash generated from financing activities		259,575	1,037,003	433,439
Net changes in cash and cash equivalents		(31,440)	(125,602)	29,374
Cash and cash equivalents, beginning of the year		83,921	335,264	54,547
Cash and cash equivalents, end of the year		52,481	209,662	83,921
Represented by:				
Cash in Hand	4	16,479	65,834	20,238
Deposits and placements with banks	5	36,002	143,828	63,683
		52,481	209,662	83,921

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



10- NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. GENERAL INFORMATION

Maxima Mikroheranhvatho Plc. (“the Company”), formerly known as Maxima Organization for Household Economic Development (“the Institution”), was incorporated in Cambodia and

registered with the Ministry of Commerce on 27 July 2005 under Registration No. Co. 7897/05P. On 10 August 2005, the Company obtained the license from the National Bank of Cambodia (“NBC”) to operate the micro-finance service to the economically active poor population of Cambodia. In June 2008, the NBC granted a permanent license No. M.F 013 to the Company.

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

The Company operates the micro-finance services with its head office located at house #21AB, St. 271, Sangkat Phsar Doeum Thkov, Khan Chamcarmon, Phnom Penh and its branch located in Kandal province.

As at 31 December 2012, the Company employed 77 employees (2011: 65 employees).

The financial statements were authorised for issue by the Board of Directors on 08 April 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The financial statements of the Company are prepared under the historical cost convention in

accordance with the guidelines issued by the NBC and Cambodian Accounting Standards (“CAS”). Those principles require that financial instruments be carried at cost less allowances for impairment. This practice differs from the International Financial Reporting Standards which require that loans and receivables be carried at amortised cost using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

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

The accompanying financial statements are prepared for jurisdiction of Cambodia and are not

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



2.2 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

On 28 August 2009, the National Accounting Council, as mandated by Prakas (Circular) No. 068-MEF-Pr dated 8 January 2009 issued by the Ministry of Economy and Finance of Cambodia, announced the adoption of Cambodian International Financial Reporting Standards (“CIFRS”) which are based on full International Financial Reporting Standards. Public accountable entities shall prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012.

However, the National Accounting Council announced on 30 July 2012 that the implementation of CIFRS is postponed to 2016 for non-listed banks and financial institutions to allow the dissemination of the standards amongst their personnel.

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

◆ CIAS 1, ‘Presentation of Financial Statements’

The revised standard prohibits the presentation of items of income and expenses (i.e., ‘nonowner changes in equity’) in the statement of changes in equity. All non-owner changes in equity are to be shown in a performance statement. Entities can opt to present one performance statement (i.e. statement of comprehensive income) or two statements (i.e. income statement and statement of comprehensive income). Entities which restate or reclassify comparative information are required to present a restated balance sheet as at the beginning comparative period.

◆ CIAS 32, ‘Financial Instruments: Presentation’

The objective of this standard is to establish the principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments as well as classification of related interest, dividends, losses and gains.

◆ CIAS 39, ‘Financial Instruments: Recognition and Measurement’

The standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Adoption of CIAS 39 will result in the following revisions to the accounting policies on financial instruments:

Loans and advances to customers

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

Impairment of financial assets

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



Interest income and interest expense

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

◆ CIFRS 7, ‘Financial instruments – Disclosures’

The revised standard requires enhanced disclosures in respect of fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair values by fair value measurement hierarchy as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly; and
- Level 3 – Inputs for an asset or liability that are not based on observable market data.

◆ CIFRS 9, ‘Financial instruments’

The standard establishes principles for financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the entity’s future cash flows. CIFRS 9 specify the bases for classification and measurement of financial assets, including some hybrid contracts. They require all financial assets to be: (a) classified on the basis of an entity’s business model for managing the financial assets and the contractual cash flow

characteristics of a financial asset; (b) initially measured at fair value, plus transaction costs in the case of a financial asset not at fair value through profit or loss; and (c) subsequently measured at amortised cost or fair value based on asset classification.

2.3 FOREIGN CURRENCIES TRANSLATION

(a) Functional and presentation currency

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

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

(b) Transactions and balance

Assets and liabilities expressed in currencies other than USD are translated into USD at the rate of exchange quoted by the NBC at the date of the balance sheet. Income and expenses arising in foreign currencies are converted at the rate of exchange prevailing on the transaction dates.

Exchange differences arising from conversion are reported on a net basis in the income statement.



2.4 TRANSLATION OF UNITED STATES DOLLARS INTO KHMER RIEL

In compliance with the requirements of the NBC, all assets, liabilities, profit and loss statement items in foreign currencies at the end of the year are converted into thousand Khmer Riel (“KHR’000”) using the official exchange rate announced by the NBC at the balance sheet date, of 1 USD = 3,995 KHR (31 December 2011: KHR 4,039). The purposes of such conversions are to comply with NBC’s financial statements presentation guidelines only and should not be construed as representations that the KHR amounts have been, could be, or could in the future be, converted into USD at this or any other rate of exchange.

2.5 SEGMENT INFORMATION

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

2.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise balances with original maturity of less than three months

from the date of acquisition and subject to an insignificant risk of changes in value, including cash on hand, non-restricted balance with the Central Bank and balances with other banks.

2.7 STATUTORY DEPOSITS WITH CENTRAL BANK

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

2.8 LOANS AND ADVANCES TO CUSTOMERS

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

Loans are written off when, in the judgement of the management with the approval of the Board of Directors, there is no realistic prospect of recovery. Recoveries on loans previously written off and reversals of previous provisions are disclosed separately together with the net movement in the provision for bad and doubtful loans and advances in the income statement.

2.9 ALLOWANCES FOR LOAN LOSSES

Allowances for loan losses are based on the latest mandatory credit classification and provisioning guidelines required by Prakas B7-02-186 dated 13 September 2002 issued by the

NBC. Allowances are made with regard to specific risks on loans individually reviewed and classified into four classes as standard, sub-standard, doubtful and loss regardless of the assets

(except cash) lodged as collateral.



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

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

Exception on the above provision rate may be considered but this is conditional on the actual market value of the collateral having been deemed acceptable by the NBC on a case-by-case basis. In accordance with NBC guidelines, overdue loans are defined as the total outstanding principal where the principal or interest is past due.

2.10 OTHER RECEIVABLES

Other receivables are carried at estimated realisable value.

2.11 PROPERTY AND EQUIPMENT

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditures are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic

benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial year in which they are incurred.

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

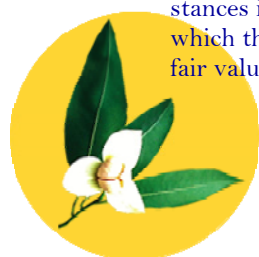
Leasehold improvements	10% - 33.33%
Computer and IT equipment	50%
Office equipment	25%
Furniture and fixture	25%
Motor vehicle	25%

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

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

2.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

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



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

2.13 BORROWINGS

Borrowings are stated at cost.

2.14 PROVIDENT FUND

Provident fund is contributed by the Company and the eligible employees at the same fixed amount of USD 10 per month for each employee. Provident fund is conditional and will be fully paid to the employee upon retirement age, or if the employee resigns before retirement age, they are entitled to the following portion of provident funds contributed by the Company:

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

2.15 PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligations; and a reliable estimate of the amount of the obligation can be made. When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

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

2.16 RESERVES

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

2.17 INTEREST INCOME AND EXPENSE

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

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

Interest expenses on borrowings are recognised on an accrual basis.



2.18 OPERATING LEASES

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

2.19 CURRENT AND DEFERRED INCOME TAXES

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

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

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

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

2.20 RELATED PARTIES

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

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

3. USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Impairment losses on loans and advances

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



(b) Income tax

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

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

4. CASH IN HAND

	2012		2011
	USD	KHR'000	USD
Head Office	10,764	43,002	18,047
Branch	5,715	22,832	2,191
	16,479	65,834	20,238

5. DEPOSITS AND PLACEMENT WITH BANKS

	2012		2011
	USD	KHR'000	USD
Current account:			
National Bank of Cambodia	451	1,802	416
Aceda Bank Plc	2,336	9,332	1,945
Rural Development Bank	114	455	129
Canadia Bank Plc	503	2,009	503
Maruhan Japan Bank	514	2,054	2,320
	3,918	15,652	5,313
Saving deposits:			
Canadia Bank	241	963	18,026
Aceda Bank Plc	31,843	127,213	40,344
	32,084	128,176	58,370



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

	2012		2011
	USD	KHR'000	USD
(i) By maturity period			
Within one month	36,002	143,828	63,683
(ii) By currency			
US Dollars	36,002	143,828	63,683

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

	2012	2011
	Percentage	Percentage
Current accounts	-	-
Saving accounts	0.50 - 0.75	0.50 - 0.75

6. LOANS AND ADVANCES TO CUSTOMERS

	2012		2011
	USD	KHR'000	USD
Individuals	3,178,400	2,697,708	2,555,489
Group	1,115	4,454	1,950
	3,179,515	2,702,162	2,557,439
Allowances for impairment losses (*)	(14,705)	(58,746)	(5,212)
	3,164,810	12,643,416	2,552,227

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

	2012		2011
	USD	KHR'000	USD
At beginning of year	5,212	20,822	4,752
(Recovery)/Addition during the year	10,595	42,326	1,724
Write-off during the year	(1,102)	(4,402)	(1,264)
At end of year	14,705	58,746	5,212



(a) By performance

	2012		2011
	USD	KHR'000	USD
Standard loans:			
- Secured (*)	3,163,940	12,639,940	2,552,087
- Unsecured	870	3,476	140
Substandard loans:			
- Secured	12,660	50,576	2,448
- Unsecured	-	-	-
Doubtful loans:			
- Secured	866	3,460	419
- Unsecured	-	-	-
Loss Loans:			
- Secured	1,179	4,710	2,345
- Unsecured	-	-	-
	3,179,515	12,702,162	2,557,439

(b) By maturity period

	2012		2011
	USD	KHR'000	USD
Up to one months	7,405	29,583	4,264
Later than one month to three months	28,900	115,456	23,355
Later than three months to one year	643,778	2,571,892	833,904
Over one years but within three years	2,499,432	9,985,231	1,695,916
	3,179,515	12,702,162	2,557,439

(c) By security

	2012		2011
	USD	KHR'000	USD
Secured (*)	3,178,645	12,698,686	2,557,299
Unsecured	870	3,476	140
	3,179,515	12,702,162	2,557,439



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

	2012		2011
	USD	KHR'000	USD
(d) By currency denomination			
US Dollars	3,179,515	12,702,162	2,557,439
(e) By status of residence			
Residents	3,179,515	12,702,162	2,557,439
(f) By relationship			
Related parties (staff loans)	4,676	18,681	2,216
Non related parties	3,174,839	12,683,481	2,555,223
	3,179,515	12,702,162	2,557,439
(g) By economic sectors			
Household/Family	269,679	1,077,367	483,445
Agriculture	601,734	2,403,927	620,632
Construction	629,132	2,513,382	267,581
Transportation	974,726	3,894,030	647,874
Services	231,629	925,358	198,490
Trade and Commerce	453,096	1,810,119	331,901
Staff loans	4,676	18,681	2,216
Other categories	14,843	59,298	5,300
	3,179,515	12,702,162	2,557,439
(h) By exposures			
Non large exposures	3,179,515	12,702,162	2,557,439
(i) By location			
Head office	2,308,965	9,224,315	1,795,707
Branch	870,550	3,477,847	761,732
	3,179,515	12,702,162	2,557,439
(j) By interest rate (per annum)			
Loans	23% - 34%		24% - 36%
Staff loans	0%		0%



7. EQUITY INVESTMENT

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

On 12 July 2011, the equity investment of USD 10,000 was fully injected by the Company into CMA to invest in the Credit Bureau (Cambodia) Co. Ltd. The Credit Bureau (Cambodia) Co. Ltd is incorporated and registered with Ministry of Commerce on 07 June 2011 under registration number Co. 1310 KH/2011.

8. OTHER ASSETS

	2012		2011
	USD	KHR'000	USD
Interests receivable	39,479	157,719	31,139
Interest in suspense	(826)	(3,300)	(237)
Prepaid rent	31,805	127,061	9,045
Deposit in registered stock share of Consorzio Etimos S.C (*)	6,553	26,179	6,553
Others	460	1,838	65
	77,471	309,497	46,565

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

9. STATUTORY DEPOSITS WITH CENTRAL BANK

	2012		2011
	USD	KHR'000	USD
Statutory capital deposit	65,750	262,671	40,000

Statutory deposit on capital represent a five percent interest-bearing statutory deposit on capital to comply with NBC's Prakas No.B 7-00-06 dated 11 January 2000 amended by Prakas No. B7-06-209 dated 13 September 2006. The deposit is refundable when the Company voluntarily liquidates its activities and has no deposits liabilities.

This statutory deposit is interest bearing at $\frac{1}{2}$ of the six-month period refinancing rate set by the NBC for statutory deposit maintained in Khmer Riel and $\frac{3}{8}$ of the six-month period SIBOR rate for statutory deposit maintained in US Dollar.



10. PROPERTY AND EQUIPMENT

	Leasehold	Office	Computer &	Furniture &	Motor	Total	Total
	USD	USD	USD	USD	USD	USD	KHR'000
Cost							
At 1 January 2012	1,298	4,167	15,716	12,673	45,094	78,948	315,397
Additions	8,283	-	4,518	2,860	-	15,661	62,566
Write off	(1,298)	-	(820)	-	(957)	(3,075)	(12,285)
At 31 December 2012	8,283	4,167	19,414	15,533	44,137	91,534	365,678
Accumulated Depreciation							
At 1 January 2012	1,229	2,782	11,289	8,192	30,067	53,559	213,968
Charge for the year	677	346	4,473	1,833	3,757	11,086	44,289
Write off	(1,298)	-	(817)	-	(957)	(3,072)	(12,273)
At 31 December 2012	608	3,128	14,945	10,025	32,867	61,573	245,984
Net book value							
At 31 December 2012	7,675	1,039	4,469	5,508	11,270	29,961	119,694
At 31 December 2011	69	1,385	4,427	4,481	15,027	25,389	101,429
Depreciation charge for 2011	206	461	4,429	1,490	5,009	11,595	



11. AMOUNTS DUE TO SHAREHOLDERS

	2012		2011
	USD	KHR'000	USD
Ms. Sreng Sive Chheng	255,000	1,018,725	150,000
Mr. An Bun Hak	200,000	799,000	-
Mr. Pa Ponnak Rithy	20,000	79,900	-
	475,000	1,897,625	150,000

This represents short-term borrowing from shareholders which will mature within 4 - 12 months and earn interest at 10% (2011: 10%) per annum.

12. BORROWINGS

	Note	2012		2011
		USD	KHR'000	USD
KIVA Microfunds	(i)	273,823	1,093,922	454,398
Consorzio Etimos S.C	(ii)	229,287	916,002	399,430
Luxembourg Microfinance and Development Fund SICAV	(iii)	300,000	1,198,500	450,000
Maruhan Japan Bank	(iv)	120,000	479,400	180,000
Aceda Bank Plc	(v)	300,000	1,198,500	100,000
		1,223,110	4,886,324	1,583,828

(i). KIVA Microfunds

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

(ii) Consorzio Etimos S.C.

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



(iii) Luxembourg Microfinance and Development Fund SICAV

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

(iv). Maruhan Japan Bank

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

(v). Aceda Bank Plc

Terms	Nine month maturing on:
	First loan: 03 April 2015 Second loan: 04 July 2014
Total credit facilities	First loan: USD 100,000.00
Repayment	First loan: Principle USD 100,000.00 on 03 April 2015
Interest rate	First loan: 12.50% per annum
Security	Unsecured

13. PROVISION FOR INCOME TAX

	2012		2011
	USD	KHR'000	USD
Balance at beginning of year	25,286	101,017	31,298
Charge during the year	24,493	97,850	27,445
Taxation paid during the year	(29,642)	(118,420)	(33,457)
	20,137	80,447	25,286



14. OTHER LIABILITIES

	2012		2011
	USD	KHR'000	USD
Provident fund (a)	50,940	203,505	40,460
Interest payable	19,842	79,269	21,831
Insurance for staff	5,471	21,857	5,471
Professional fees	3,250	12,984	8,500
Salary and withholding tax	3,653	14,594	3,035
Others	4,033	16,112	6,084
	87,189	348,321	85,381

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

	2012		2011
	USD	KHR'000	USD
Balance at beginning of year	40,460	161,638	34,900
Payment during the year	(5,200)	(20,775)	(6,090)
Charge during the year	7,840	31,321	5,220
Contribution from staff during the year	7,840	31,321	6,430
	50,940	203,505	40,460

15. SHARE CAPITAL

	2012		2011
	USD	KHR'000	USD
Balance at beginning of year	800,000	3,196,000	410,000
Proceed from share issued	515,000	2,057,425	390,000
Balance at end of year	1,315,000	5,253,425	800,000

The registered statutory capital of the Company as at 31 December 2012 is 131,500 shares at a par value of USD 10 per share. All shares are fully paid.

Actually, on 03 September 2012, the Board of Directors decided to increase the number of the Bank's share capital from 80,000 to 131,500 that is 51,500 new shares at USD 12.35 each. The excess of USD 2.35 per share over par value was recognised as share premium. The increase was approved by NBC on 23 November 2012.

On 13 March 2013, the revised Article of Association of the Company was approved by the Ministry of Commerce.



The details of shareholding are as follows:

	2012		2011	
	No. of Shares	Holding %	No. of Shares	Holding %
	USD 10 each		USD 10 each	
Ms. Sarun Vithourat	40,000	30.42%	-	0.00%
Ms. Sreng Sive Chheng	36,000	27.38%	26,000	32.50%
Mr. An Bun Hak	27,000	20.53%	27,000	33.75%
Mr. Uong Kimseng	15,000	11.41%	15,000	18.75%
Mr. Chet Chan Prasoeur	5,000	3.80%	5,000	6.25%
Mr. Pa Ponnak Rithy	4,330	3.29%	4,330	5.41%
Ms. Buy Sivantha	2,500	1.90%	1,000	1.25%
Mr. Pa Ponnak Rithy (staff representative)	1,670	1.27%	1,670	2.09%
	131,500	100.00%	80,000	100.00%

16. INTEREST INCOME

	2012		2011
	USD	KHR'000	USD
Loans and advances	780,870	3,119,575	598,264
Deposits and placements with banks	238	951	1,209
	781,108	3,120,526	599,473

17. INTEREST EXPENSE

Interest expense is incurred on borrowings.

18. OTHER OPERATING INCOME

	2012		2011
	USD	KHR'000	USD
Penalty income	2,421	9,672	3,210
Grant income	-	-	1,276
Recovery on loans written off	1,995	7,970	5,139
Others	8,278	33,071	1,028
	12,694	50,713	10,653



19. PERSONNEL COSTS

	2012		2011
	USD	KHR'000	USD
Salaries and bonuses	296,194	1,183,295	254,067
Employee Training	759	3,032	1,470
	296,953	1,186,327	255,537

20. OTHER OPERATING EXPENSES

	2012		2011
	USD	KHR'000	USD
Professional fees	81,200	324,394	24,115
Office rental	38,991	155,769	20,913
Motor vehicle operating expense	25,370	101,353	24,369
Withholding tax	14,613	58,379	10,340
Stationery and supplies expenses	9,749	38,948	6,041
Memberships expenses	8,243	32,931	750
Provident fund	7,020	28,045	5,220
Security expenses	6,131	24,493	3,240
Fees and commission	6,010	24,010	5,204
Utilities expenses	5,503	21,984	4,651
Communication	5,546	22,156	4,589
Business meals and entertainment	3,471	13,867	4,860
Per-diem and incidental travel	2,922	11,673	3,042
Insurance	1,534	6,128	1,151
License fees expense	1,324	5,289	878
Repair and maintenance	1,054	4,211	761
Marketing and advertising expenses	292	1,167	2,270
Others	15,887	63,469	7,657
	234,860	938,266	130,051



21. INCOME TAX EXPENSE

(a) Tax on profit expenses

	2012		2011
	USD	KHR'000	USD
Current tax	24,493	97,849	27,445
Deferred tax	(532)	(2,125)	(654)
	23,961	95,724	26,791

(b) Reconciliation of current income tax

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

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

	2012		2011
	USD	KHR'000	USD
Profit before income tax	85,632	342,099	110,620
Tax calculation at	17,126	68,418	22,124
Expenses not deductible for tax purposes	7,367	29,431	5,321
Income tax expense	24,493	97,849	27,445

(c) Deferred tax

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

	2012		2011
	USD	KHR'000	USD
Deferred tax asset	5,112	20,422	4,580
Deferred tax liability	-	-	-
	5,112	20,422	4,580



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

	Provision for provident fund	Property and equipment	Total
	USD	KHR'000	USD
January 1, 2011	3,452	474	3,926
Credit to income statement	594	60	654
December 31, 2011	4,046	534	4,580
January 1, 2012	4,046	534	4,580
Credit to income statement	1,048	(516)	532
December 31, 2012	5,094	18	5,112

(d) Other tax matters

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

22. CASH FLOWS FROM OPERATING ACTIVITIES

	2012	2011	
	USD	KHR'000	USD
Cash flows from operating activities			
Profit before income tax	85,631	342,095	110,620
Adjustments for:			
Depreciation expenses (note 9)	11,086	44,289	11,595
Loan written off	-	-	(1,264)
Loss on disposal of fixed asset	3	12	-
Net impairment loss on loans and advances (note 7)	10,594	42,323	1,724
Operating profit before changes in working capital	107,314	428,719	122,675
Changes in operating assets and liabilities:			
Statutory deposits with central bank	(25,750)	(102,871)	(19,500)
Loans and advances to customers	(623,177)	2,489,592	(508,074)
Other assets	(30,906)	(123,468)	(5,974)
Amount due to shareholders	325,000	1,298,375	42,000
Other liabilities	1,806	7,214	14,348
Cash (used in)/generated from operations	(245,712)	(981,619)	(354,525)
Income tax paid (note 14)	(29,642)	(118,420)	(33,457)
Net cash (used in)/from operating activities	(275,354)	1,100,039	(387,982)



23. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Key management personnel remuneration

	2012		2011
	USD	KHR'000	USD
Salaries and other benefits	78,808	314,838	78,266

(b) Borrowings

	2012		2011
	USD	KHR'000	USD
Ms. Sreng Sive Chheng	255,000	1,018,725	150,000
Mr. An Bun Hak	200,000	799,000	-
Mr. Pa Ponnak Rithy	20,000	79,900	-
	475,000	1,897,625	150,000

24. LEASE COMMITMENTS

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

	2012		2011
	USD	KHR'000	USD
Note later than one year	37,785	150,951	16,680
Later than one year and not later than 5 years	110,340	440,808	2,840
	148,125	591,759	19,520

25. TAX INTERPRETATION

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

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



26. FINANCIAL RISK MANAGEMENT

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

26.1 OPERATIONAL RISK

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

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

26.2 CREDIT RISK

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

(a) Credit risk measurement

The Company has set up the Credit Risk Policy which is designed to govern the Company's risk undertaking activities. Procedures of risk limit setting, monitoring, usage, and control are

governed by credit programs which set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured.

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

(b) Risk limit control and mitigation policies

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

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



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

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

(c) Impairment and provisioning policies

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

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

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

	2012		2011
	USD	KHR'000	USD
Credit risks exposures relating to on-balance sheet assets:			
Balances with other banks	36,002	143,828	63,683
Loans and advances	3,164,810	12,643,416	2,552,227
Capital investment	10,000	39,950	10,000
Other assets	77,471	309,497	46,565
	3,288,283	13,136,691	2,672,475

The table above represents the maximum credit risk exposure to the Company as at 31 December 2012, without taking into account any collateral held or other credit enhancements. 96% of the total maximum credit exposure is derived from loans and advances to customers in Cambodia.

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



(e) Loans and advances are summarised as follows:

	2012		2011
	USD	KHR'000	USD
Loans and advances neither past due nor impaired	3,164,810	12,643,420	2,552,227
Loans and advances individually impaired	14,705	58,746	5,212
Gross	3,179,515	12,702,162	2,557,439
Less:			
Provision for loan loss	(14,705)	(58,746)	(5,212)
Net	3,164,810	12,643,416	2,552,227

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

(i) Loans and advances neither past due or impaired

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

(ii) Loans and advances individually impaired

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

	2012		2011
	USD	KHR'000	USD
Past due 30-59 days	12,660	50,576	2,448
Past due 60-89 days	866	3,460	1,389
Past due 90 days and more	1,179	4,710	1,375
	14,705	58,746	5,212

(f) Concentration of financial assets with credit risk exposure

(i) By geographical distribution

The credit exposure of the Company as at 31 December 2012 is wholly derived from Cambodia based on the country of domicile of the counterparties.



(ii) By industry sector

	Balances with other banks	Loan and advances to customers	Capital invest- ment	Other assets	Total	Total
	USD	USD	USD	USD	USD	KHR'000
At 31 December 2012	-	601,734	-	-	601,734	2,403,927
Agriculture	-	269,679	-	-	269,679	1,077,368
Household/Family	-	629,132	-	-	629,132	2,513,382
Construction	36,002	-	-	-	36,002	143,828
Financial institutions	-	974,726	-	-	974,726	3,894,030
Transportation	-	231,629	10,000	-	241,629	965,308
Services	-	453,096	-	-	453,096	1,810,119
Trade and Commerce	-	4,676	-	-	4,676	18,681
Staff loans	-	14,843	-	77,471	92,314	368,794
Others	36,002	3,179,515	10,000	77,471	3,302,988	13,195,437

	Balances with other banks	Loan and advances to customers	Capital invest- ment	Other assets	Total	Total
	USD	USD	USD	USD	USD	KHR'000
At 31 December 2011	-	620,632	-	-	620,632	2,506,733
Agriculture	-	483,445	-	-	483,445	1,952,634
Household/Family	-	267,581	-	-	267,581	1,080,760
Construction	63,683	-	-	-	63,683	257,216
Financial institutions	-	647,874	-	-	647,874	2,616,763
Transportation	-	198,490	10,000	-	208,490	842,091
Services	-	331,901	-	-	331,901	1,340,548
Trade and Commerce	-	2,216	-	-	2,216	8,950
Staff loans	-	5,300	-	46,565	51,865	209,483
Others	63,683	2,557,439	10,000	46,565	2,677,687	10,815,178



26.3 MARKET RISK

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument, will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are

exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

(a) Foreign currency exchange risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company has no material exposures to currency risk as it transacts essentially in US Dollar. Significant presence of US Dollar is a normal practice of Company operating in Cambodia as this is a currency widely in use in Cambodia.

(b) Price risk

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

The Company currently does not have a policy to manage its price risk.

(c) Interest rate risk

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

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

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



<u>Interest rate risk</u> As at 31 December 2011	Up to 1 month	1-3 months	3-12 months	1 to 5 years	Over 5 years	Non- interest bearing	Total	Interest rate
	USD	USD	USD	USD	USD	USD	USD	%
Financial Assets								
Cash in hand	-	-	-	-	-	20,238	20,238	-
Deposits and placements with banks	58,370	-	-	-	-	5,313	63,683	-
Statutory deposits with central bank	-	-	-	-	40,000	-	40,000	-
Loans and advances to customers:								
- Performing	2,470	23,355	830,486	1,695,916	-	-	2,552,227	24% – 36%
- Non-performing	1,794	-	3,418	-	-	-	5,212	24 %– 36%
- Specific provisions	-	-	-	-	-	(2,715)	(2,715)	-
- General provisions	-	-	-	-	-	(2,497)	(2,497)	-
Capital investment	-	-	-	-	-	10,000	10,000	-
Other Assets	-	-	-	-	-	46,565	46,565	-
Total financial assets	62,634	23,355	833,904	1,695,916	40,000	76,904	2,732,713	
Financial liabilities								
Amount due to shareholders	-	-	150,000	-	-	-	150,000	10%
Borrowings	-	-	349,430	1,234,398	-	-	1,583,828	7.64%
Other liabilities	-	-	-	-	-	85,381	85,381	-
Provision for income tax	-	-	-	-	-	25,286	25,286	-
Total financial liabilities	-	-	499,430	1,234,398	-	110,667	1,844,495	
Interest sensitivity gap 2012 (USD)	62,634	23,355	334,474	461,518	40,000	(33,763)	888,218	
Interest sensitivity gap 2012 (KHR'000 equivalent)	252,979	94,331	1,350,940	1,864,071	161,560	(136,371)	3,587,511	



26.4 LIQUIDITY RISK

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

(a) Liquidity risk management process

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

(b) Funding approach

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

(c) Non-derivative cash flows

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



<u>Liquidity risk</u>	Up to 1 month	1-3 months	3-12 months	1 to 5 years	Over 5 years	No fixed maturity	Total	Interest rate
As at 31 December 2012	USD	USD	USD	USD	USD	USD	USD	%
Financial Assets								
Cash in hand	16,479	-	-	-	-	-	16,479	65,834
Deposits and placements with banks	32,084	-	-	-	-	3,918	36,002	143,828
Statutory deposits with central bank	-	-	-	-	-	65,750	65,750	262,671
Loans and advances to customers:								
- Performing	3,199	28,715	643,778	2,489,118	-	-	3,164,810	12,643,416
- Non-performing	4,206	185	-	10,314	-	-	14,705	58,746
- Specific provisions	-	-	-	-	-	(12,000)	(12,000)	(47,940)
- General provisions	-	-	-	-	-	(2,705)	(2,705)	(10,806)
Capital investment	-	-	-	-	-	10,000	10,000	39,950
Other Assets	32,265	-	45,206	-	-	-	77,471	309,497
Total financial assets	88,233	28,900	688,984	2,499,432	-	64,963	3,370,512	13,465,196
Financial liabilities								
Amount due to shareholders	-	-	475,000	-	-	-	475,000	1,897,625
Borrowings	-	-	-	1,223,110	-	-	1,223,110	4,886,324
Other liabilities	-	87,189	-	-	-	-	87,189	348,320
Provision for income tax	-	20,137	-	-	-	-	20,137	80,447
Total financial liabilities		107,326	475,000	1,223,110	-	-	1,805,436	7,212,717
Net position 2012 (USD)	88,233	(78,426)	213,984	1,276,322	-	64,963	1,565,076	6,252,479
As at 31 December 2011								
Total financial assets	91,982	23,355	871,359	1,695,916	-	50,101	2,732,713	10,917,188
Total financial liabilities	-	110,667	499,430	1,234,398	-	-	1,844,495	7,368,758
Net position 2011 (USD)	91,982	(87,312)	371,929	461,518	-	50,101	888,218	3,548,430



26.5 CAPITAL MANAGEMENT

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

26.6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

(a) Deposits and placements with other banks

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

(b) Loans and advances to customers

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

(c) Borrowings

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

(d) Other assets and liabilities

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



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