



MAXIMA MIKROHERANHVATHO CO., LTD.

Financial Statements
and
Auditors' report
31 December 2009

Corporate Information

Company	MAXIMA MIKROHERANHVATHO CO., LTD
Registration No	Co. 7897/05P
Registered office	No. 39 E0-E4, Street 374, Sangkat Toul Svay Prey I, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia
Shareholders	Mr. Uong Kim Seng Mr. An Bun Hak Mr. Pa Ponnak Rithy Ms. Sreng Sive Chheng Mr. Chet Chan Prasoeur Mr. Pa Ponnak Kiry Ms. Buy Sivantha
Board of Directors/ Management Team	Mr. Uong Kimseng, Chairman Mr. An Bun Hak, Vice-Chairman Mr. Pa Ponnak Rithy, Member Ms. Sreng Sive Chheng, Member Mr. Chet Chan Prasoeur, Member Mr. Pa Ponnak Kiry, Member
Principal bankers	Acleda Bank Plc Canadia Bank Plc Rural Development Bank National Bank of Cambodia
Auditors	KPMG Cambodia Ltd

Maxima Mikroheranhvatho Co., Ltd.

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Report of the Board of Directors

The Board of Directors have pleasure in submitting their report together with the audited financial statements of Maxima Mikroheranhvatho Co., Ltd. ("the Company" or "Maxima") for the year ended 31 December 2009.

Principal activity

The principal activity of the Company is to provide micro-finance services to the economically active poor population of Cambodia through its head office in Phnom Penh and its branch in Kandal province in the Kingdom of Cambodia.

Financial results

The financial results of the Company for the year ended 31 December 2009 were as follows:

	US\$
Profit before income tax	71,167
Income tax expense	(18,809)
Net profit for the year	<u>52,358</u>

Reserves and provisions

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

Dividends

During the financial year, the Board of Directors declared and paid a cash dividend amounting to US\$20,112 (2008: US\$13,935) which is equivalent to 50% of the 2008 net profit after the transfer of US\$2,114 (equivalent to 5% of the 2008 net profit) to the reserves in the equity.

Bad and doubtful loans

Before the income statement and balance sheet of the Company were prepared, the Board of Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad loans and the making of allowance for doubtful loans, and satisfied themselves that all known bad loans had been written off and adequate allowance had been made for bad and doubtful loans.

Maxima Mikroheranhvatho Co., Ltd.

Report of the Board of Directors (continued)

Bad and doubtful loans (continued)

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

Current assets

Before the income statement and balance sheet of the Company were prepared, the Board of 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 value as shown in the accounting records of the Company had been written down to an amount which they might be expected to realise.

At the date of this report, the Board of Directors is not aware of any circumstances, which would render the values attributed to the current assets in the financial statements of the Company misleading.

Valuation methods

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

Contingent and other liabilities

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

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person;
- (b) any contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of its business operations.

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

Maxima Mikroheranhvatho Co., Ltd.

Report of the Board of Directors (continued)

Change of circumstances

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

Items of unusual nature

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

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

Events since the balance sheet date

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

The Board of Directors

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

- Mr. Uong Kimseng, Chairman
- Mr. An Bun Hak, Vice-Chairman
- Mr. Pa Ponnak Rithy, Member
- Ms. Sreng Sive Chheng, Member
- Mr. Chet Chan Prasoeur, Member
- Mr. Pa Ponnak Kiry, Member

Maxima Mikroheranhvatho Co., Ltd.

Report of the Board of Directors (continued)

Directors' interests

Each member of the Board of Directors is a shareholder and holds an interest in the equity of the Company. The details of shareholding are as follows:

Shareholders	2009		2008	
	% of ownership	Number of shares	% of ownership	Number of shares
Ms. Sreng Sive Chheng	29.27%	12,000	24.08%	6,500
Mr. Uong Kimseng	24.39%	10,000	22.22%	6,000
Mr. An Bun Hak	24.39%	10,000	25.93%	7,000
Mr. Chet Chan Prasoeur	9.75%	4,000	11.48%	3,100
Mr. Pa Ponnak Rithy	7.32%	3,000	8.89%	2,400
Mr. Pa Ponnak Kiry	2.44%	1,000	3.70%	1,000
	<u>97.56%</u>	<u>40,000</u>	<u>96.30%</u>	<u>26,000</u>

Directors' benefits

During and at the end of the financial 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.

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

Share capital

During the year the Company increased its registered and paid up share capital from US\$270,000 to US\$410,000. The approval was obtained from the National Bank of Cambodia on 30 July 2009.

Maxima Mikroheranhvatho Co., Ltd.

Report of the Board of Directors (continued)

Responsibilities of the Board of Directors in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2009, and of the results of its operations and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

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

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

On behalf of the Board of Directors,



Mr. Uong Kimseng
Chairman

Date: 26 APR 2010



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REPORT OF THE INDEPENDENT AUDITORS

To the shareholders of Maxima Mikroheranhvatho Co., Ltd.

We have audited the accompanying financial statements of Maxima Mikroheranhvatho Co., Ltd. (“the Company” or “Maxima”), which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 8 to 49. The corresponding figures presented are based on the financial statements of the Company as at and for the year ended 31 December 2008, which were audited by another firm of auditors whose report dated 21 April 2009 expressed an unqualified opinion on those statements.

Management’s Responsibility for the Financial Statements

The Company’s management is responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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. Except as discussed in the Basis for Qualified Opinion paragraph, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

Basis for Qualified Opinion

As discussed in Note 9 to the financial statements, as at 31 December 2008, the Company did not accrue interest receivable due to the limitation of the previous loan tracking system. Had the interest receivable been accrued in the prior years' financial statements, adjustments would have been made to increase interest income, net profit, interest receivable and equity as of and for the year ended 31 December 2008, and to consequentially decrease interest income and net profit for the year ended 31 December 2009.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary as a result of the matter referred to in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of Maxima Mikroheranhvatho Co., Ltd. as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements.

The accompanying financial statements of the Company have been translated into Khmer Riel solely for compliance with the guidelines issued by the National Bank of Cambodia regarding the preparation and presentation of the financial statements. We have audited the translation and, in our opinion, the financial statements expressed in United States Dollars have been translated into Khmer Riel on the basis as set forth in Note 4 to the financial statements.

For KPMG Cambodia Limited



Craig McDonald
Audit Partner

Phnom Penh
26 April 2010

Maxima Mikroheranhvatho Co., Ltd.

Balance sheet As at 31 December 2009

	Note	2009		2008	
		US\$	KHR'000	US\$	KHR'000
ASSETS					
Cash on hand	5	7,461	31,105	15,189	61,986
Deposits and placements with banks	6	26,810	111,771	193,962	791,559
Statutory deposits	7	20,500	85,464	13,500	55,094
Loans to customers	8	1,684,057	7,020,834	1,372,285	5,600,295
Other receivables	9	35,206	146,773	10,285	41,973
Property and equipment	10	42,512	177,233	60,558	247,137
TOTAL ASSETS		<u>1,816,546</u>	<u>7,573,180</u>	<u>1,665,779</u>	<u>6,798,044</u>
LIABILITIES AND EQUITY					
Liabilities					
Amounts due to shareholders	11	90,000	375,210	133,000	542,773
Borrowings	12	1,151,810	4,801,896	1,164,749	4,753,340
Other liabilities	13	53,708	223,908	26,984	110,122
Provision for income tax	14	15,388	64,153	7,652	31,228
Total liabilities		<u>1,310,906</u>	<u>5,465,167</u>	<u>1,332,385</u>	<u>5,437,463</u>
Equity					
Share capital	15	410,000	1,709,290	270,000	1,101,870
Reserves		9,236	38,505	7,122	29,065
Retained earnings		86,404	360,218	56,272	229,646
Total equity		<u>505,640</u>	<u>2,108,013</u>	<u>333,394</u>	<u>1,360,581</u>
TOTAL LIABILITIES AND EQUITY		<u>1,816,546</u>	<u>7,573,180</u>	<u>1,665,779</u>	<u>6,798,044</u>

The accompanying notes form part of these financial statements.

Maxima Mikroheranhvatho Co., Ltd.

Income statement Year ended 31 December 2009

	Note	2009		2008	
		US\$	KHR'000	US\$	KHR'000
Interest income	16	444,918	1,854,863	323,841	1,321,595
Interest expenses	17	(52,413)	(218,510)	(44,465)	(181,462)
Net interest income		<u>392,505</u>	<u>1,636,353</u>	<u>279,376</u>	<u>1,140,133</u>
Other operating income	18	<u>6,210</u>	<u>25,889</u>	<u>4,315</u>	<u>17,609</u>
Operating income		<u>398,715</u>	<u>1,662,242</u>	<u>283,691</u>	<u>1,157,743</u>
General and administrative expenses	19	(294,588)	(1,228,137)	(230,066)	(938,899)
Provision for bad and doubtful loans	8	<u>(32,960)</u>	<u>(137,410)</u>	<u>(749)</u>	<u>(3,057)</u>
Profit before income tax		<u>71,167</u>	<u>296,695</u>	<u>52,876</u>	<u>215,787</u>
Income tax expense	14	<u>(18,809)</u>	<u>(78,415)</u>	<u>(10,584)</u>	<u>(43,193)</u>
Net profit for the year		<u><u>52,358</u></u>	<u><u>218,280</u></u>	<u><u>42,292</u></u>	<u><u>172,594</u></u>

The accompanying notes form part of these financial statements

Maxima Mikroheranhvatho Co., Ltd.

Statement of changes in equity Year ended 31 December 2009

	Share capital US\$	Reserves US\$	Retained earnings US\$	Total US\$
As at 1 January 2008	270,000	5,653	29,384	305,037
Dividend paid	-	-	(13,935)	(13,935)
Transfer to reserves	-	1,469	(1,469)	-
Net profit for the year	-	-	42,292	42,292
As at 31 December 2008	270,000	7,122	56,272	333,394
Dividend paid	-	-	(20,112)	(20,112)
Increase in share capital	140,000	-	-	140,000
Transfer to reserves	-	2,114	(2,114)	-
Net profit for the year	-	-	52,358	52,358
As at 31 December 2009	410,000	9,236	86,404	505,640
(KHR'000 equivalents)	1,709,290	38,505	360,218	2,108,013

The accompanying notes form part of these financial statements.

Maxima Mikroheranhvatho Co., Ltd.

Statement of cash flows Year ended 31 December 2009

	Note	2009 US\$	2009 KHR'000	2008 US\$	2008 KHR'000
Cash flows from operating activities					
Net cash used in operating activities	20	(277,115)	(1,155,292)	(453,884)	(1,852,300)
Cash flows from investing activities					
Purchase of property and equipment		(4,714)	(19,653)	(57,474)	(234,551)
Proceeds from disposals of property and equipment		-	-	2,170	8,856
Net cash used in investing activities		(4,714)	(19,653)	(55,304)	(225,695)
Cash flows from financing activities					
Dividends paid		(20,112)	(83,847)	(13,935)	(56,869)
Increase in share capital		140,000	583,660	-	-
Proceeds from borrowings		565,198	2,356,310	1,429,053	5,831,965
Repayments of borrowings		(578,137)	(2,410,253)	(761,223)	(3,106,551)
Net cash generated from financing activities		106,949	445,870	653,895	2,668,545
Net (decrease)/increase in cash and cash equivalents		(174,880)	(729,075)	144,707	590,550
Cash and cash equivalents at beginning of year		209,151	848,735	64,444	262,995
Translation difference		-	23,216	-	-
Cash and cash equivalents at end of year	21	34,271	142,876	209,151	853,545

The accompanying notes form part of these financial statements.

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements 31 December 2009

1. Background and principal activities

Maxima Mikroheranhvatho Co., Ltd. (“the Company” or “Maxima”), 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 number Co. 7897/05P. On 10 August 2005, the Company obtained the license from the National Bank of Cambodia (“NBC”) to operate the micro-finance services to the economically active poor population of Cambodia. In June 2008, the NBC granted a permanent licence to the Company.

The Company’s vision is to bring together people and businesses with the common goal of alleviating poverty by providing both economic and social opportunities to the rural poor. Its mission is to offer micro-finance services to low-income individuals, groups, and small and medium enterprises (“SMEs”), with an emphasis on lending to poor and rural women in addition to promoting savings.

The Company operates the micro-finance services in its head office located in Phnom Penh and its branch located in Kandal province.

As at 31 December 2009, the Company had 50 employees (2008: 48 employees).

2. Basis of preparation

(a) Statement of compliance

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

The financial statements were approved and authorised for issue by the Board of Directors on 26 April 2010.

(b) Basis of measurement

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

(c) Functional and presentation currency

The Company transacts its business and maintains its accounting records in United States Dollars (“US\$”). Management have determined the US\$ to be the Company’s currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Company.

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

2. Basis of preparation (continued)

(c) Functional and presentation currency (continued)

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

(d) Use of estimates and judgments

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

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

Key accounting estimates and judgements applied in the preparation of financial statements include estimates of recoverable amount for loans to customers which have a separate accounting policy stated in Note 3(e).

3. Significant accounting policies

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

(a) Financial instruments

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

(b) Segment information

The Company operates within one business segment, commercially oriented micro-finance services, and within one geographical segment, the Kingdom of Cambodia.

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

3. Significant accounting policies (continued)

(c) Cash and cash equivalents

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

(d) Loans to customers

Loans to customers are stated in the balance sheet at the amount of principal outstanding less any amounts written off and specific and general provisions. Short-term loans are those with a repayment date within one year of the date the loan was advanced. Long-term loans are those with a final repayment date of more than one year of the date the loan was advanced.

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

(e) Provision for bad and doubtful loans

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

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

The specific provision is calculated as a percentage of the loans outstanding at the time the loan is classified, excluding accrued interest, and is charged as an expense.

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

3. Significant accounting policies (continued)

(e) Provision for bad and doubtful loans (continued)

In determining the above allowance, any collateral value is disregarded except that, in the case of a loan classified as “loss”, all collateral may be utilised, at market values approved by the NBC.

In addition to the specific provision, an additional general provision for bad and doubtful loans is made in full for the remainder of the sub-standard loans (90% of the sub-standard loans) and doubtful loans (70% of the doubtful loans).

An uncollectible loan or portion of a loan classified as bad is written off when, in the judgement of the management with the approval of the Board of Directors, there is no prospect of recovery, after taking into consideration the realisable value of the collateral, if any. Loans written off are taken out of the outstanding loan portfolio and deducted from the provision for bad and doubtful loans.

Recoveries on loans previously written off are recognised as other operating income in the income statement.

(f) Deposits and placements with banks

Deposits and placements with banks are carried at cost.

(g) Other receivables

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

(h) Property and equipment

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

- (ii) Depreciation of property and equipment is charged to the income statement on a straight line basis, over the estimated useful lives of the individual assets at the following rates:

• Leasehold improvements	50%
• Office equipment and furniture	20-50%
• Computer & IT equipment	50%
• Motor vehicles	25%

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

3. Significant accounting policies (continued)

(h) Property and equipment (continued)

- (iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.
- (v) Fully depreciated items of property and equipment are retained in the financial statements until disposed of or written off.
- (vi) The carrying amounts of property and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately.

(i) Impairment

(i) *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate future cash flows of that asset.

This does not apply to loans to customers which has a separate accounting policy stated in Note 3(e). Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

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

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) **31 December 2009**

3. Significant accounting policies (continued)

(i) Impairment (continued)

(ii) Non-financial assets

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

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

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

(j) Borrowings

Borrowings are stated at cost.

(k) Provisions

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

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

3. Significant accounting policies (continued)

(l) Provident fund

Provident fund is contributed by the Company and the eligible employees at the same fixed amount of US\$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:

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

No separate fund is maintained i.e. there is no separate interest bearing bank account or any other asset for the fund.

(m) Reserves

Based on the Memorandum and Articles 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.

(n) Interest income and expense recognition

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

Interest expenses are recognised on an accrual basis.

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) **31 December 2009**

3. Significant accounting policies (continued)

(o) Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they are related to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets 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.

(q) Related parties

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

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) **31 December 2009**

3. Significant accounting policies (continued)

(r) Related parties (continued)

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

(s) New standards and interpretations not yet adopted

The National Accounting Council of Cambodia, as mandated by Prakas (Circular) No. 068-MEF-Pr dated 8 January 2009 issued by the Ministry of Economy and Finance of Cambodia on the adoption of Cambodian Financial Reporting Standards, has decided to adopt International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) effective for the financial statements with periods beginning on or after 1 January 2012. The new standards will be referred to as “Cambodian International Financial Reporting Standards (“CIFRS”)”. The adoption of CIFRS is expected to have a significant impact on the financial statements of the Company.

4. Translation of United States Dollars into Khmer Riel

The financial statements are stated in United States Dollars. The translations of United States Dollars into Khmer Riel are included solely for compliance with the guidelines issued by the NBC regarding the preparation and presentation of the financial statements and have been made using the prescribed official exchange rate of US\$1: KHR4,169 (2008: US\$1: KHR4,081) published by the NBC on 31 December 2009. These translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

5. Cash on hand

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
Head Office – Phnom Penh	4,808	20,045	15,189	61,986
Branch – Kandal province	2,653	11,060	-	-
	<u>7,461</u>	<u>31,105</u>	<u>15,189</u>	<u>61,986</u>

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

5. Cash on hand (continued)

The above amounts are analysed as follows:

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
Khmer Riel	629	2,622	414	1,689
US Dollars	6,832	28,483	14,775	60,297
	<u>7,461</u>	<u>31,105</u>	<u>15,189</u>	<u>61,986</u>

6. Deposits and placements with banks

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
<i>Current accounts</i>				
Rural Development Bank	878	3,660	731	2,983
National Bank of Cambodia	391	1,630	319	1,302
Acleda Bank Plc	100	417	100	408
Canadia Bank Plc	502	2,093	500	2,041
<i>Savings accounts</i>				
Acleda Bank Plc	18,059	75,288	51,458	210,000
Canadia Bank Plc	6,880	28,683	140,854	574,825
	<u>26,810</u>	<u>111,771</u>	<u>193,962</u>	<u>791,559</u>

The above amounts are analysed as follows:

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
(a) By maturity:				
Within 1 month	<u>26,810</u>	<u>111,771</u>	<u>193,962</u>	<u>791,559</u>

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

6. Deposits and placements with banks (continued)

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
(b) By currency:				
US Dollars	26,810	111,771	193,962	791,559
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
(c) By interest rate (per annum):				
		2009		2008
Current accounts		0.75%		Nil
Savings accounts		0.50% - 0.75%		0.50% - 0.75%

7. Statutory deposits

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
Statutory deposits on:				
Registered share capital	20,500	85,464	13,500	55,094
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The statutory deposits are maintained with the NBC in compliance with Prakas No. B7-00-006 and B7-06-209 on the Licensing of Micro-Finance Institutions, the amounts of which are determined by the defined percentage of the Company's registered share capital.

The statutory deposit on registered share capital is refundable when the Company voluntarily ceases its operations in Cambodia.

The statutory deposit on registered share capital placed with the NBC in US\$ earns interest at the rate of 3/8 six-month SIBOR.

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

8. Loans to customers

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
Group loans	13,499	56,277	42,765	174,524
Individual loans	1,704,307	7,105,256	1,330,309	5,428,991
	<u>1,717,806</u>	<u>7,161,533</u>	<u>1,373,074</u>	<u>5,603,515</u>
Provision for bad and doubtful loans				
- Specific provision	(16,199)	(67,533)	(789)	(3,220)
- General provision	(17,550)	(73,166)	-	-
	<u>(33,749)</u>	<u>(140,699)</u>	<u>(789)</u>	<u>(3,220)</u>
	<u><u>1,684,057</u></u>	<u><u>7,020,834</u></u>	<u><u>1,372,285</u></u>	<u><u>5,600,295</u></u>

The movements in provision for bad and doubtful loans to customers were as follows:

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
At beginning of year	789	3,220	445	1,816
Provision during the year	32,960	137,410	749	3,057
Written off during the year	-	-	(405)	(1,653)
Translation difference	-	69	-	-
	<u>33,749</u>	<u>140,699</u>	<u>789</u>	<u>3,220</u>
At end of the year	<u><u>33,749</u></u>	<u><u>140,699</u></u>	<u><u>789</u></u>	<u><u>3,220</u></u>

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

8. Loans to customers (continued)

The loans to customers are analysed as follows:

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
(a) By maturity:				
Within 1 month	1,305	5,441	99,970	407,978
1 to 3 months	14,836	61,851	142,645	582,134
3 to 12 months	611,504	2,549,360	540,490	2,205,740
More than 12 months	1,090,161	4,544,881	589,969	2,407,663
	<u>1,717,806</u>	<u>7,161,533</u>	<u>1,373,074</u>	<u>5,603,515</u>
(b) By currency:				
US Dollars	<u>1,717,806</u>	<u>7,161,533</u>	<u>1,373,074</u>	<u>5,603,515</u>
(c) By economic sector:				
Agriculture	329,166	1,372,293	220,545	900,044
Trade and commerce	338,724	1,412,140	316,595	1,292,024
Services	173,749	724,360	183,320	748,129
Transportation	287,841	1,200,009	98,035	400,081
Household/family	574,938	2,396,917	541,365	2,209,311
Staff loans	9,068	37,804	11,819	48,233
Other category	4,320	18,010	1,395	5,693
	<u>1,717,806</u>	<u>7,161,533</u>	<u>1,373,074</u>	<u>5,603,515</u>
(d) By residency status:				
Residents	<u>1,717,806</u>	<u>7,161,533</u>	<u>1,373,074</u>	<u>5,603,515</u>

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

8. Loans to customers (continued)

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
(e) By relationship:				
External customers	1,708,738	7,123,729	1,361,255	5,555,282
Staff loans*	9,068	37,804	11,819	48,233
	<u>1,717,806</u>	<u>7,161,533</u>	<u>1,373,074</u>	<u>5,603,515</u>

*: Loans provided to staff are unsecured, interest free and have a fixed term of repayment as stated in the loan agreements signed with the related staff.

(f) By location:				
Head Office – Phnom Penh	1,221,219	5,091,262	1,026,828	4,190,485
Branch – Kandal province	496,587	2,070,271	346,246	1,413,030
	<u>1,717,806</u>	<u>7,161,533</u>	<u>1,373,074</u>	<u>5,603,515</u>

(g) By performance:				
Standard loans:				
Secured	1,683,397	7,018,082	1,355,984	5,533,771
Unsecured	660	2,752	13,700	55,910
Sub-standard loans:				
Secured	10,500	43,774	1,140	4,652
Unsecured	10	42	-	-
Doubtful loans:				
Secured	11,509	47,981	2,250	9,182
Unsecured	50	208	-	-
Loss loans:				
Secured	10,515	43,837	-	-
Unsecured	1,165	4,857	-	-
	<u>1,717,806</u>	<u>7,161,533</u>	<u>1,373,074</u>	<u>5,603,515</u>

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

8. Loans to customers (continued)

(h) By interest rate (per month):

	2009	2008
Loans in US Dollars	2.00% - 3.00%	2.00% - 3.00%

During the year there was no renegotiation of delinquent loans, i.e, refinancing or restructuring. Loan disclosed above are based on the original loan agreements entered into with customers.

9. Other receivables

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
Interest receivable *	25,198	105,050	-	-
Interest in suspense	(3,021)	(12,595)	-	-
Net interest receivable	22,177	92,455	-	-
Prepaid rent	7,800	32,518	7,440	30,363
Deposit in registered stock				
share of Consorzio Etimos S.C. **	4,462	18,602	1,417	5,783
Others	767	3,198	1,428	5,827
	<u>35,206</u>	<u>146,773</u>	<u>10,285</u>	<u>41,973</u>

*: Due to the limitation of the previous loan tracking system, the Company was unable to calculate and accrue interest receivable as at 31 December 2008. As a result, interest income for the year ended 31 December 2008 was recognised on a cash basis.

**: 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 pay off the loan (Note 12(ii)).

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

10. Property and equipment

	Leasehold improvements US\$	Office equipment & furniture US\$	Computer & IT equipment US\$	Motor Vehicles US\$	Total US\$	KHR'000
Cost						
At 1 January 2009	2,354	22,819	11,131	44,344	80,648	329,124
Additions	-	1,189	3,525	-	4,714	19,653
Translation difference	-	-	-	-	-	7,097
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	2,354	24,008	14,656	44,344	85,362	355,874
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Less: Accumulated depreciation						
At 1 January 2009	1,085	7,909	5,183	5,913	20,090	81,987
Charge for the year	1,035	5,689	5,073	10,963	22,760	94,886
Translation difference	-	-	-	-	-	1,768
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	2,120	13,598	10,256	16,876	42,850	178,641
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value						
At 31 December 2009	234	10,410	4,400	27,468	42,512	177,233
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	1,269	14,910	5,948	38,431	60,558	247,137
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

11. Amounts due to shareholders

Amounts due to shareholders represent borrowing from shareholders which will mature within three months and earn interest at 10% (2008: 10%) per annum.

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
Ms. Sreng Sive Chheng	40,000	166,760	48,000	195,888
Mr. An Bun Hak	40,000	166,760	35,000	142,835
Mr. Pa Ponnak Rithy	10,000	41,690	10,000	40,810
Mr. Uong Kimseng	-	-	30,000	122,430
Mr. Chet Chan Prasoeur	-	-	10,000	40,810
	<u>90,000</u>	<u>375,210</u>	<u>133,000</u>	<u>542,773</u>

12. Borrowings

	Note	2009		2008	
		US\$	KHR'000	US\$	KHR'000
KIVA Microfunds	i	326,810	1,362,471	466,854	1,905,231
Consorzio Etimos S.C.	ii	275,000	1,146,475	122,895	501,534
Rural Development Bank	iii	200,000	833,800	300,000	1,224,300
Appui au Développement Autonome	iv	200,000	833,800	275,000	1,122,275
Planet Finance	v	150,000	625,350	-	-
		<u>1,151,810</u>	<u>4,801,896</u>	<u>1,164,749</u>	<u>4,753,340</u>

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

12. Borrowings (continued)

(i) KIVA Microfunds

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

(ii) Consorzio Etimos S.C.

Terms	Three years maturing on: First loan 26 February 2011 Second loan 1 November 2012
Total credit facilities	US\$275,000
Repayments	Principal and interest on semi-annual basis
Interest rates	First loan LIBOR 6 months + 4.5% per annum Second loan LIBOR 6 months + 5.5% per annum or a minimum interest rate (floor rate) of 8% per annum, with the amount of US\$200,000
Security	The Company subscribed eleven shares of Consorzio Etimos S.C. at the fixed amount of Euro 2,838 (equivalent to US\$4,462) as described in Note 9 above.

(iii) Rural Development Bank

Terms	One year maturing on: First loan 27 August 2010 Second loan 9 September 2010 Third loan 5 October 2010 Fourth loan 22 October 2010
Total credit facilities	US\$200,000
Repayments	Principal at maturity Interest on monthly basis
Interest rate	9% per annum
Security	Unsecured

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

12. Borrowings (continued)

(iv) Appui au Développement Autonome

Terms	Four years maturing on 15 December 2012		
Total credit facilities	US\$200,000		
Repayment	Principal	25% on the third year and 75% on the maturity date	
		Interest on quarterly basis	
Interest rate	8% per annum		
Security	Unsecured		

(v) Planet Finance

Terms	One year maturing on 19 February 2010		
Total credit facilities	US\$150,000		
Repayment	Principal and interest on the maturity date		
Interest rate	8% per annum		
Security	Unsecured		

The above borrowings are analysed as follows:

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
(a) By maturity:				
Within 1 month	-	-	-	-
1 to 3 months	150,000	625,350	-	-
3 to 12 months	200,000	833,800	297,895	1,215,709
More than 12 months	801,810	3,342,746	866,854	3,537,631
	<u>1,151,810</u>	<u>4,801,896</u>	<u>1,164,749</u>	<u>4,753,340</u>

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

12. Borrowings (continued)

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
(b) By currency:				
US Dollars	<u>1,151,810</u>	<u>4,801,896</u>	<u>1,164,749</u>	<u>4,753,340</u>

13. Other liabilities

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
Provident fund (*)	23,580	98,305	14,260	58,195
Interest payable	14,723	61,380	2,657	10,843
Insurance for staff	5,505	22,950	4,678	19,091
Professional fees	3,750	15,634	3,500	14,284
Salary and withholding tax	2,682	11,181	1,140	4,652
Others	3,468	14,458	749	3,057
	<u>53,708</u>	<u>223,908</u>	<u>26,984</u>	<u>110,122</u>

(*) The movement of provident fund is as follow:

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
Balance at beginning of year	14,260	58,195	8,820	35,994
Payment during the year	(1,680)	(7,004)	(600)	(2,449)
Charge during the year (Note 19)	5,500	22,929	3,020	12,325
Contributed from staff	5,500	22,929	3,020	12,325
Translation difference	-	1,256	-	-
Balance at end of year	<u>23,580</u>	<u>98,305</u>	<u>14,260</u>	<u>58,195</u>

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

14. Income tax

(a) Provision for income tax

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
At beginning of year	7,652	31,228	4,428	18,071
Income tax expense	18,809	78,415	10,584	43,193
Income tax paid	(11,073)	(46,163)	(7,360)	(30,036)
Translation difference	-	673	-	-
	<u>15,388</u>	<u>64,153</u>	<u>7,652</u>	<u>31,228</u>

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

(b) Income tax expense

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

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	<u>71,167</u>	<u>296,695</u>	<u>52,876</u>	<u>215,787</u>
Income tax using statutory rate	14,233	59,337	10,575	43,157
Non-deductible expenses	5,042	21,021	9	36
Over provision in prior year	<u>(466)</u>	<u>(1,943)</u>	<u>-</u>	<u>-</u>
	<u>18,809</u>	<u>78,415</u>	<u>10,584</u>	<u>43,193</u>

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

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

15. Share capital

As at 31 December 2009, the total authorised share capital is 41,000 shares (2008: 27,000 shares) with a par value of US\$10 per share (2008: US\$10). All authorised shares were issued and fully paid up. The details of shareholding are as follows:

	2009			2008		
	% of Ownership	Number of shares	Amount US\$	% of Ownership	Number of shares	Amount US\$
Ms. Sreng Sive Chheng	29.27%	12,000	120,000	24.08%	6,500	65,000
Mr. Uong Kimseng	24.39%	10,000	100,000	22.22%	6,000	60,000
Mr. An Bun Hak	24.39%	10,000	100,000	25.93%	7,000	70,000
Mr. Chet Chan Prasoeur	9.75%	4,000	40,000	11.48%	3,100	31,000
Mr. Pa Ponnak Rithy	7.32%	3,000	30,000	8.89%	2,400	24,000
Mr. Pa Ponnak Kiry	2.44%	1,000	10,000	3.70%	1,000	10,000
Ms. Buy Sivantha	2.44%	1,000	10,000	3.70%	1,000	10,000
	100%	41,000	410,000	100%	27,000	270,000
(KHR'000 equivalents)			1,709,290			1,101,870

Each ordinary share has one vote and participates equally in all dividends and other distributions of the Company.

Pursuant to the annual general meeting and circular resolution of the Board of Directors on 13 January 2009, the following shares were issued:

	At 1 January 2009	Number of shares issued	At 31 December 2009
Mr. Uong Kimseng	6,000	4,000	10,000
Mr. An Bun Hak	7,000	3,000	10,000
Ms. Sreng Sive Chheng	6,500	5,500	12,000
Mr. Pa Ponnak Rithy	2,400	600	3,000
Mr. Chet Chan Prasoeur	3,100	900	4,000
Mr. Pa Ponnak Kiry	1,000	-	1,000
Ms. Buy Sivantha	1,000	-	1,000
	27,000	14,000	41,000

The Articles of Association were revised on 9 October 2009 to reflect the change in shareholding.

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

16. Interest income

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
Group loans	10,248	42,724	10,602	43,267
Individual loans	433,557	1,807,499	312,363	1,274,753
Placements with banks	1,113	4,640	876	3,575
	<u>444,918</u>	<u>1,854,863</u>	<u>323,841</u>	<u>1,321,595</u>

17. Interest expenses

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
Borrowings	52,413	218,510	43,128	176,006
Deposits from customers	-	-	1,337	5,456
	<u>52,413</u>	<u>218,510</u>	<u>44,465</u>	<u>181,462</u>

18. Other operating income

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
Penalty income from customers	4,995	20,824	1,891	7,717
Recovery on loans written off	575	2,397	594	2,424
Others	640	2,668	1,830	7,468
	<u>6,210</u>	<u>25,889</u>	<u>4,315</u>	<u>17,609</u>

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

19. General and administrative expenses

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
Salaries and bonuses	168,094	700,784	108,869	444,294
Depreciation	22,760	94,886	16,185	66,051
Office rental	16,800	70,039	14,600	59,583
Motor vehicle operating expense	16,490	68,747	17,753	72,450
Professional fees	11,649	48,565	7,000	28,567
Fees and commission	8,500	35,436	16,731	68,279
Withholding tax	5,826	24,289	2,604	10,627
Stationery and office supplies	5,686	23,705	10,863	44,332
Provident fund (Note 13)	5,500	22,929	3,020	12,325
Communication	5,343	22,275	7,794	31,807
Utilities	4,570	19,052	5,151	21,021
Security	3,060	12,757	2,933	11,970
Business meals and entertainment	2,680	11,173	2,612	10,659
Per-diem and incidental travel	2,536	10,572	3,571	14,573
Employee training	1,690	7,046	704	2,873
Repairs and maintenance	1,881	7,842	1,064	4,342
Donations and gifts	1,815	7,567	1,911	7,799
Insurance	1,522	6,345	1,960	7,999
Licence fees	819	3,414	546	2,228
Travelling	769	3,206	1,738	7,093
Membership fees	750	3,127	113	461
Marketing and advertising	294	1,226	1,385	5,652
Others	5,554	23,155	959	3,914
	<u>294,588</u>	<u>1,228,137</u>	<u>230,066</u>	<u>938,899</u>

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

20. Net cash flows from operating activities

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	71,167	296,695	52,876	215,787
Adjustments for:				
Depreciation	22,760	94,886	16,185	66,051
Change in accounting estimate	-	-	45	183
Provision for bad and doubtful loans	32,960	137,410	749	3,057
Gain on disposals of property and equipment	-	-	(701)	(2,861)
	<u>126,887</u>	<u>528,991</u>	<u>69,154</u>	<u>282,217</u>
Decrease/(increase) in:				
Statutory deposits	(7,000)	(29,183)	7,050	28,771
Loans to customers	(344,732)	(1,437,187)	(567,312)	(2,315,200)
Other receivables	(24,921)	(103,895)	(1,571)	(6,411)
Increase/(decrease) in:				
Deposits from customers	-	-	(99,495)	(406,039)
Amounts due to shareholders	(43,000)	(179,267)	133,000	542,773
Other liabilities	26,724	111,412	12,650	51,625
	<u>(266,042)</u>	<u>(1,109,129)</u>	<u>(446,524)</u>	<u>(1,822,264)</u>
Income tax paid	<u>(11,073)</u>	<u>(46,163)</u>	<u>(7,360)</u>	<u>(30,036)</u>
Net cash used in operating activities	<u>(277,115)</u>	<u>(1,155,292)</u>	<u>(453,884)</u>	<u>(1,852,300)</u>

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

21. Cash and cash equivalents

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	7,461	31,105	15,189	61,986
Deposits and placements with banks	26,810	111,771	193,962	791,559
	<u>34,271</u>	<u>142,876</u>	<u>209,151</u>	<u>853,545</u>

22. Financial risk management

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

(a) Credit risk

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

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

The Company holds collateral against loans to customers in the form of mortgage interests over property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing.

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

22. Financial risk management (continued)

(b) Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

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

(c) Market risk

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

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

(i) Foreign currency exchange risk

The Company's revenue is principally earned in US\$. The Company's expenditure is principally paid in US\$ and KHR. The Company does not therefore have significant exposure to foreign currency risk. The Company does not enter into currency hedging transactions since it considers that the cost of such instruments outweigh the potential risk of exchange rate fluctuations.

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

22. Financial risk management (continued)

(c) Market risk (continued)

(i) Foreign currency exchange risk (continued)

Concentration of currency risk

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

	US\$	KHR (US\$ equivalent)	Total US\$
2009			
Assets			
Cash on hand	6,832	629	7,461
Deposits and placements with banks	26,810	-	26,810
Statutory deposits	20,500	-	20,500
Loans to customers	1,684,057	-	1,684,057
Other receivables	35,206	-	35,206
	<hr/>	<hr/>	<hr/>
Total financial assets	1,773,405	629	1,774,034
	<hr/>	<hr/>	<hr/>
Liabilities			
Amounts due to shareholders	90,000	-	90,000
Borrowings	1,151,810	-	1,151,810
Other liabilities	51,026	2,682	53,708
Provision for income tax	-	15,388	15,388
	<hr/>	<hr/>	<hr/>
Total financial liabilities	1,292,836	18,070	1,310,906
	<hr/>	<hr/>	<hr/>
Net assets/(liabilities) position	480,569	(17,441)	463,128
	<hr/>	<hr/>	<hr/>
2008			
Total financial assets	1,591,307	13,914	1,605,221
Total financial liabilities	1,323,593	8,792	1,332,385
	<hr/>	<hr/>	<hr/>
Net assets position	267,714	5,122	272,836
	<hr/>	<hr/>	<hr/>

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

22. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. The exposure to interest rate risk relate primarily to its loans and bank deposits.

Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

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

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

22. Financial risk management (continued)

(ii) Interest rate risk (continued)

2009	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
Assets								
Cash on hand	-	-	-	-	-	7,461	7,461	-
Deposits and placements with banks	24,939	-	-	-	-	1,871	26,810	-
Statutory deposits	-	-	-	-	20,500	-	20,500	-
Loans to customers								
- Performing	1,305	14,836	611,504	1,056,412	-	-	1,684,057	2.47%
- Non performing	-	-	-	-	-	33,749	33,749	-
- Provision for bad and doubtful loans	-	-	-	-	-	(33,749)	(33,749)	-
Other receivables	-	-	-	-	-	35,206	35,206	-
Total financial assets	26,244	14,836	611,504	1,056,412	20,500	44,538	1,774,034	
Liabilities								
Amounts due to shareholders	-	90,000	-	-	-	-	90,000	10.00%
Borrowings	-	150,000	200,000	801,810	-	-	1,151,810	7.64%
Other liabilities	-	-	-	-	-	53,708	53,708	-
Provision for income tax	-	-	-	-	-	15,388	15,388	-
Total financial liabilities	-	240,000	200,000	801,810	-	69,096	1,310,906	
Maturity gap	26,244	(225,164)	411,504	254,602	20,500	(24,558)	463,128	

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

22. Financial risk management (continued)

(ii) Interest rate risk (continued)

2008	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
Assets								
Cash on hand	-	-	-	-	-	15,189	15,189	-
Deposits and placements with banks	192,312	-	-	-	-	1,650	193,962	-
Statutory deposits	-	-	-	-	13,500	-	13,500	-
Loans to customers								
- Performing	99,970	142,645	540,490	586,579	-	-	1,369,684	2.54%
- Non performing	-	-	-	-	-	3,390	3,390	-
- Provision for bad and doubtful loans	-	-	-	-	-	(789)	(789)	-
Other receivables	-	-	-	-	-	10,285	10,285	-
Total financial assets	292,282	142,645	540,490	586,579	13,500	29,725	1,605,221	
Liabilities								
Amounts due to shareholders	-	133,000	-	-	-	-	133,000	10%
Borrowings	-	-	297,895	866,854	-	-	1,164,749	7.74%
Other liabilities	-	-	-	-	-	26,984	26,984	-
Provision for income tax	-	-	-	-	-	7,652	7,652	-
Total financial liabilities	-	133,000	297,895	866,854	-	34,636	1,332,385	
Maturity gap	292,282	9,645	242,595	(280,275)	13,500	(4,911)	272,836	

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

22. Financial risk management (continued)

(ii) Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable-rate instruments

The Company does not have significant variable-rate instruments. Therefore, no cash flow sensitivity analysis for variable-rate instruments was presented.

(d) Liquidity risk

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

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

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

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

22. Financial risk management (continued)

(d) Liquidity risk (continued)

2009	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	No fixed terms US\$	Total US\$
Assets							
Cash on hand	7,461	-	-	-	-	-	7,461
Deposits and placements with banks	24,939	-	-	-	-	1,871	26,810
Statutory deposits	-	-	-	-	-	20,500	20,500
Loans to customers							
- Performing	1,305	14,836	611,504	1,056,412	-	-	1,684,057
- Non performing	-	-	-	-	-	33,749	33,749
- Provision for bad and doubtful loans	-	-	-	-	-	(33,749)	(33,749)
Other receivables	22,177	-	8,567	-	-	4,462	35,206
Total financial assets	55,882	14,836	620,071	1,056,412	-	26,833	1,774,034
Liabilities							
Amounts due to shareholders	90,000	-	-	-	-	-	90,000
Borrowings	-	150,000	200,000	801,810	-	-	1,151,810
Other liabilities	-	53,708	-	-	-	-	53,708
Provision for income tax	-	15,388	-	-	-	-	15,388
Total financial liabilities	90,000	219,096	200,000	801,810	-	-	1,310,906
Maturity gap	(34,118)	(204,260)	420,071	254,602	-	26,833	463,128

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

22. Financial risk management (continued)

(d) Liquidity risk (continued)

2008	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	No fixed terms US\$	Total US\$
Assets							
Cash on hand	15,189	-	-	-	-	-	15,189
Deposits and placements with banks	192,312	-	-	-	-	1,650	193,962
Statutory deposits	-	-	-	-	-	13,500	13,500
Loans to customers							
- Performing	99,970	142,645	540,490	586,579	-	-	1,369,684
- Non performing	-	-	-	-	-	3,390	3,390
- Provision for bad and doubtful loans	-	-	-	-	-	(789)	(789)
Other receivables	-	-	8,868	-	-	1,417	10,285
Total financial assets	307,471	142,645	549,358	586,579	-	19,168	1,605,221
Liabilities							
Amounts due to shareholders	-	133,000	-	-	-	-	133,000
Borrowings	-	-	297,895	866,854	-	-	1,164,749
Other liabilities	-	8,046	-	-	-	18,938	26,984
Provision for income tax	-	7,652	-	-	-	-	7,652
Total financial liabilities	-	148,698	297,895	866,854	-	18,938	1,332,385
Maturity gap	307,471	(6,053)	251,463	(280,275)	-	230	272,836

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

22. Financial risk management (continued)

(e) Capital management

(i) Regulatory capital

The Company's lead regulator, the National Bank of Cambodia ("NBC"), sets and monitors capital requirements for the Company as a whole.

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

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

(ii) Capital allocation

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

23. Commitments and contingencies

(a) Lease commitments

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

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
Within 1 year	16,360	68,205	16,560	67,581
2 to 5 years	24,200	100,890	39,360	160,628
	<u>40,560</u>	<u>169,095</u>	<u>55,920</u>	<u>228,209</u>

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

23. Commitments and contingencies (continued)

(b) Taxation contingencies

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

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

24. Related party balances and transactions

The Company had significant related party transactions during the year as follows:

(a) Compensation

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
<i>Key management</i>				
Salaries and other benefits	59,596	248,456	46,990	191,766
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

24. Related party balances and transactions (continued)

(b) Borrowings:

	2009		2008	
	US\$	KHR'000	US\$	KHR'000
Ms. Sreng Sive Chheng				
Principal received	54,000	225,126	66,500	271,387
Principal repayment	62,000	258,478	18,500	75,499
Mr. An Bun Hak				
Principal received	40,000	166,760	35,000	142,835
Principal repayment	35,000	145,915	-	-
Mr. Uong Kim Seng				
Principal received	-	-	30,000	122,430
Principal repayment	30,000	125,070	-	-
Mr. Chet Chan Prasoeur				
Principal received	-	-	10,000	40,810
Principal repayment	10,000	41,690	-	-
Mr. Pa Ponnak Rithy				
Principal received	10,000	41,690	10,000	40,810
Principal repayment	10,000	41,690	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

25. Fair values of financial assets and liabilities

The aggregate fair values of financial assets and liabilities carried on the balance sheet are approximately equal to their carrying values as at 31 December 2009.

Maxima Mikroheranhvatho Co., Ltd.

Notes to the financial statements (continued) 31 December 2009

26. Comparative figures

The following comparative figures have been reclassified to conform with the current year's presentation:

	As reclassified US\$	As previously stated US\$
Balance sheet		
<i>Assets</i>		
Deposit and placements with banks	193,962	-
Balances with banks inside Cambodia	-	193,643
Balances with central bank	-	319
Other receivables	10,285	-
Deposit in registered stock shares of Consorzio Etimos S.C.	-	1,417
Other assets	-	8,868
	<u>204,247</u>	<u>204,247</u>
<i>Liabilities</i>		
Borrowings	1,164,749	-
Short term borrowings	-	297,895
Long term borrowings	-	866,854
	<u>1,164,749</u>	<u>1,164,749</u>
Income statement		
Other operating income	4,315	-
Non-interest income	-	5,436
General and administrative expenses	(230,066)	-
Payroll and other staff costs	-	(108,869)
Depreciation of property and equipment	-	(16,185)
Other operating expenses	-	(105,012)
Provision for bad and doubtful loans	(749)	-
Provision for impairment losses	-	(1,870)
	<u>(226,500)</u>	<u>(226,500)</u>