

**MAXIMA MIKROHERANHVATHO Co., Ltd.**

**MICRO FINANCE INSTITUTION**

(Incorporated in the Kingdom of Cambodia)

**FINANCIAL STATEMENTS**

**AND**

**REPORT OF INDEPENDENT AUDITORS  
FOR THE YEAR ENDED 31 DECEMBER 2008**

**MAXIMA MIKROHERANHVATHO Co., Ltd.**

(Incorporated in the Kingdom of Cambodia)

Financial statements for the year ended 31 December 2008

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**ម៉ាកស៊ីម៉ា មីក្រូហិរញ្ញវត្ថុ**

**MAXIMA MIKROHERANHVATHOCO., LTD**

ផ្ទះលេខ ៣៩ ផ្លូវលេខ ៣៧៤ សង្កាត់ទួលស្វាយ ព្រៃ១ ខ័ណ្ឌចំការមន ភ្នំពេញ កម្ពុជា  
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**STATEMENT BY THE BOARD OF DIRECTORS**

We, the directors of Maxima Mikroheranhvatho Co., Ltd., (the “Company”) do hereby state that in our opinion:

- i) The results of the operations of the Company for the financial year ended 31 December 2008 have not been materially affected by any item, transaction and event of any material and unusual nature nor has any such item, transaction and event occurred in the interval between the end of the financial year and the date of this report other than as disclosed in the financial statements, and
- ii) The accompanying financial statements of the Company have been drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2008 and of the results of its operations and cash flows for the year ended on that date, in accordance with the guidelines of the National Bank of Cambodia and Cambodian Accounting Standards.

On behalf of the Board of Directors

Mr Uong Kimseng  
Chairman

Date: 21 April 2009



Mr An Bunhak  
Vice Chairman

Date: 21 April 2009

**REPORT OF INDEPENDENT AUDITORS TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF MAXIMA MIKROHERANHVATHO Co., Ltd.**

We have audited the accompanying balance sheet of Maxima Mikroheranhvatho Co., Ltd., (the “Company”) as at 31 December 2008, and the related statements of income, changes in equity, and cash flows 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 Cambodian Accounting Standards and the guidelines issued by the National Bank of Cambodia. 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 Standards on Auditing 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 the 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.

(Continued)

**REPORT OF INDEPENDENT AUDITORS TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF MAXIMA MIKROHERANHVATHO Co., Ltd.**  
**(Continued)**

**Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2008 and of the results of its operations and its cash flows for the year then ended, in accordance with the NBC's guidelines and Cambodian Accounting Standards.

**Emphasis of matter**

Without qualifying our opinion, we draw attention to note 13 to the financial statements which indicates that there is no provision for tax liabilities to take into account the effect of expenses included in the statement of income which may not be allowed as deduction by the Tax Department for tax purposes.

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



Saksom Meas  
Managing Partner



**Morison Kak & Associés**  
Certified Public Accountants  
Registered Auditors

Date: 21 April 2009



STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008		2007
		USD	KHR'000	USD
Interest income	15	323,841	1,321,595	226,279
Interest expense	16	(44,465)	(181,462)	(44,526)
<b>Net interest income</b>		<b>279,376</b>	<b>1,140,133</b>	<b>181,753</b>
Non-interest income	17	5,436	22,184	6,819
Payroll and other staff costs		(108,869)	(444,294)	(64,226)
Depreciation of property and equipment		(16,185)	(66,051)	(5,608)
Other operating expenses	18	(105,012)	(428,554)	(78,868)
<b>Operating profit before provision for impairment</b>		<b>54,746</b>	<b>223,418</b>	<b>39,870</b>
Provision for impairment losses		(1,870)	(7,631)	(3,745)
<b>Profit before income tax</b>		<b>52,876</b>	<b>215,787</b>	<b>36,125</b>
Income tax expense		(10,584)	(43,193)	(6,759)
<b>Net profit after income tax</b>		<b>42,292</b>	<b>172,594</b>	<b>29,366</b>

Signed and authorised for release on behalf of the Board

Mr Uong Kimseng  
Chairman

Date: 21 April 2009



Mr An Bunhak  
Vice Chairman

Date: 21 April 2009

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

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008**

	Share capital USD	Subordinated debt USD	Capital reserve USD	Retained earnings USD	Total USD
Balance at 1 January 2007	70,000	115,000	4,390	22,425	211,815
Subordinated debt proceeds	-	63,856	-	-	63,856
Capitalisation of retained earnings	21,144	-	-	(21,144)	-
Transfer to share capital	178,856	(178,856)	-	-	-
Transfer of retained earnings to reserve	-	-	1,263	(1,263)	-
Net profit for the year	-	-	-	29,366	29,366
<b>Balance as at 31 December 2007</b>	<b>270,000</b>	<b>-</b>	<b>5,653</b>	<b>29,384</b>	<b>305,037</b>
Balance as at 1 January 2008	270,000	-	5,653	29,384	305,037
Dividends paid to shareholders	-	-	-	(13,935)	(13,935)
Transfer of retained earnings to reserve	-	-	1,469	(1,469)	-
Net income for the year	-	-	-	42,292	42,292
<b>Balance as at 31 December 2008</b>	<b>270,000</b>	<b>-</b>	<b>7,122</b>	<b>56,272</b>	<b>333,394</b>
<i>Balance as at 31 December 2007 (KHR'000 equivalents)</i>	<i>1,095,660</i>	<i>-</i>	<i>28,902</i>	<i>228,351</i>	<i>1,352,913</i>

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

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008

	2008		2007
	USD	KHR'000	USD
<b>Cash flows from operating activities</b>			
Profit before income tax	52,876	214,573	36,125
<i>Adjustments for:</i>			
Depreciation of property and equipment	16,185	65,679	5,608
Changes in accounting estimates	45	183	-
Gain on sale of property and equipment	(701)	(2,845)	-
Operating profit before working capital changes	68,405	277,590	41,733
Increase / (decrease) in cash attributable to changes in working assets and liabilities:			
Loans and advances	(566,563)	(2,299,113)	(147,837)
Statutory deposits with NBC	7,050	28,609	(17,050)
Deposit in registered stock shares of Consorzio ETIMOS	(763)	(3,096)	-
Other assets	(808)	(3,279)	(3,526)
Deposits from non-bank customers	(99,495)	(403,751)	(4,345)
Amount due to shareholders	133,000	539,714	-
Short term borrowings	97,895	397,258	(30,000)
Other liabilities	12,650	51,334	4,285
Cash absorbed by operations	(348,629)	(1,414,734)	(156,740)
Income tax paid	(7,360)	(29,867)	(7,334)
<b>Net cash used in operating activities</b>	<b>(355,989)</b>	<b>(1,444,601)</b>	<b>(164,074)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property and equipment	2,170	8,806	-
Purchases of property and equipment	(57,474)	(233,229)	(17,326)
<b>Net cash used in investing activities</b>	<b>(55,304)</b>	<b>(224,423)</b>	<b>(17,326)</b>
<b>Cash flows from financing activities</b>			
Repayments of long-term borrowings	(761,223)	(3,089,043)	(64,501)
Proceeds from long-term borrowings	1,331,158	5,401,839	212,587
Dividend paid	(13,935)	(56,548)	-
Subordinated debts proceeds	-	-	63,856
<b>Net cash generated from financing activities</b>	<b>556,000</b>	<b>2,256,248</b>	<b>211,942</b>

(Continued)

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008  
(CONTINUED)**

	2008		2007
	USD	KHR'000	USD
<b>Net changes in cash and cash equivalents</b>	<b>144,707</b>	<b>587,224</b>	<b>30,542</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>64,444</b>	<b>261,511</b>	<b>33,902</b>
<b>Cash and cash equivalents at end of year</b>	<b>209,151</b>	<b>848,735</b>	<b>64,444</b>
<i>Represented by:</i>			
<i>Cash in hand</i>	15,189	61,637	4,559
<i>Balances with bank and financial institutions</i>	193,643	785,803	59,745
<i>Balances with central bank-current account</i>	319	1,295	140
	<b>209,151</b>	<b>848,735</b>	<b>64,444</b>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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**1. General**

Maxima Mikroheranhvatho Co., Ltd. (the “Company”), - formerly known as Maxima Organization for Household Economic Development (the “Institution”) -, was incorporated with the Ministry of Commerce on 27 July 2005 and obtained its licence from the National Bank of Cambodia (“NBC”) to operate as a micro finance institution on 9 August 2005. In June 2008, the National Bank of Cambodia granted Maxima a permanent licence to operate as an MFI.

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 microfinance services to low-income individuals, groups, and small and medium enterprises (SMEs), with an emphasis on lending to poor, rural women in addition to promoting savings.

Under the micro finance licence, the Company is authorised to grant credit to poor and low-income households and small enterprises operating in the Kingdom of Cambodia.

The head office is located in Phnom Penh at No.39, Street 374, Sangkat Toul Svay Prey I, Khan Chamkarmon and as at 31 December 2008, the Company employed 48 employees (31 December 2007: 24 employees).

**2. 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, Cambodian Accounting Standards and practice within the micro-finance industry. Those principles require that financial instruments be carried at cost less provision 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 presentation of financial statements in conformity with Cambodian Accounting Standards as modified by NBC guidelines requires that the Management make estimates and assumptions that affect the amounts reported in financial statements and accompanying notes. The estimates have been made based on existing available information and the Management’s judgment. Due to the fact that an active market does not exist for a significant portion of the Company’s assets and liabilities, it is possible that actual results could differ from those estimates.

The accompanying financial statements are prepared for jurisdiction of Cambodia and are not intended to present the financial position and results of operations 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. Basis of preparation (continued)**

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 Management has determined the USD to be the Company’s measurement and functional currency as it reflects the economic substance of the underlying events and circumstances of the Company.

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 = 4,058 KHR (31 December 2007: KHR 4,003). Such conversions 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.

## **3. Significant accounting policies**

### **3.1 Transactions in foreign currencies**

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 statement of income.

### **3.2 Cash on hand and balances with banks**

Cash on hand and balances with banks comprise of cash and bank balances which are subject to an insignificant risk of change in value.

### **3.3 Statutory deposits with central bank**

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

### **3.4 Loans and advances to customers**

Loans originated by the Company by providing money directly to the borrowers are categorised as loans and advances and are carried at cost, less provisions for impairment.

### **3. Significant accounting policies (continued)**

#### **3.5 Provisions for loan impairment**

Provisions for loan impairment is based on the latest NBC guidelines and is made with regard to specific risks on loans individually reviewed and classified as substandard, doubtful or loss regardless of the assets (except cash) lodged as collateral.

NBC guidelines require the following loan classification and level of provisioning:

Classification	Overdue	Rate of provision
Substandard	- More than thirty days	10%
Doubtful	- 60 days and more (original term of up to one year) - 180 days or more (original term of more than one year)	30%
Loss	- 90 days and more (original term of up to one year) - 360 days or more (original term of more than 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.

#### **3.6 Interest income**

Interests earned on loans and bank savings deposits are recognised on a cash basis.

#### **3.7 Interest and fee expenses**

Interest expense on deposits from borrowers is recognised on a cash basis. Interest expense on borrowed fund is recognised on an accrual basis.

#### **3.8 Property and equipment**

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets at the following rates per annum:

	Rate	Method
Leasehold improvements	50%	Straight Line
Office equipment, furniture and fixtures	20%-50%	Straight Line
Computer & IT equipment	50%	Straight Line
Motor vehicles	25%	Straight Line

### **3. Significant accounting policies (continued)**

#### **3.8 Property and equipment (continued)**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the statement of income.

#### **3.9 Other provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligation can be made.

#### **3.10 Income tax**

Income tax is calculated on the basis of taxable profit, which is calculated by adjusting the financial result for certain expense items (such as costs of representation, over/under depreciation, etc.) in accordance with Cambodian regulations. Taxes other than on income are recorded within operating expenses.

Provision is made, where material, for deferred taxation in respect of timing difference arising from the recognition of items of income and expenditure in the financial statements on bases different from that used for taxation purposes.

#### **3.11 Related parties**

Parties are considered to be related if one party has the ability 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.

### **4. Balances with banks inside Cambodia**

	2008		2007
	USD	KHR'000	USD
Current account at RDB	731	2,966	141
Acleda savings account	51,558	209,222	-
Canadia savings account	141,354	573,615	59,604
	<u>193,643</u>	<u>785,803</u>	<u>59,745</u>

**5. Statutory deposits with central bank**

	2008		2007
	USD	KHR'000	USD
Capital guarantee with NBC (*)	13,500	54,783	13,500
Reserve requirement with NBC	-	-	7,050
	<u>13,500</u>	<u>54,783</u>	<u>20,550</u>

(\*) This represents 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. B 7-06-209 dated 13 September 2006.

This statutory deposit is interest bearing at ½ of the six-month period refinancing rate set by the NBC for statutory deposit maintained in Khmer Riel and 3/8 of the six-month period SIBOR rate for statutory deposit maintained in US Dollar.

**6. Loans and advances to customers**

	2008		2007
	USD	KHR'000	USD
Loans to customers	1,361,255	5,523,972	806,167
Staff loans	<u>11,819</u>	<u>47,962</u>	-
	1,373,074	5,571,934	806,167
Provisions for doubtful debts – Specific	<u>(789)</u>	<u>(3,202)</u>	<u>(445)</u>
	<u>1,372,285</u>	<u>5,568,732</u>	<u>805,722</u>

(i) Movements in provisions for impairment losses are as follows:

	2008		2007
	USD	KHR'000	USD
Balance at beginning of year	445	1,806	2,692
Addition during the year	1,870	7,588	3,745
Recovery during the year	(1,121)	(4,549)	(5,992)
Write off during the year	<u>(405)</u>	<u>(1,643)</u>	-
At end of year	<u>789</u>	<u>3,202</u>	<u>445</u>

(Continued)

**6. Loans and advances to customers (continued)**

(ii) Further classification is as follows:

	2008		2007
	USD	KHR'000	USD
Standard loans:			
- Secured	1,355,984	5,502,582	804,083
- Unsecured	13,700	55,595	-
Substandard loans:			
- Secured	1,140	4,626	1,720
- Unsecured	-	-	-
Doubtful loans:			
- Secured	2,250	9,131	130
- Unsecured	-	-	-
Loss loans:			
- Secured	-	-	234
- Unsecured	-	-	-
	<u>1,373,074</u>	<u>5,571,934</u>	<u>806,167</u>

(iii) Further analysis of the above loans and advances is provided below:

	2008		2007
	USD	KHR'000	USD
(a) By maturity period:			
Within six months	1,400	5,681	-
Seven to twelve months	424,025	1,720,693	415,073
Twelve to twenty months	947,649	3,845,560	391,094
	<u>1,373,074</u>	<u>5,571,934</u>	<u>806,167</u>
(b) By security:			
Secured	1,359,374	5,516,339	806,167
Unsecured	13,700	55,595	-
	<u>1,373,074</u>	<u>5,571,934</u>	<u>806,167</u>
(c) By currency denomination:			
US Dollar	1,373,074	5,571,934	806,167
Khmer Riel	-	-	-
	<u>1,373,074</u>	<u>5,571,934</u>	<u>806,167</u>
(d) By status of residence:			
Residents	<u>1,373,074</u>	<u>5,571,934</u>	<u>806,167</u>

(Continued)

**6. Loans and advances to customers (continued)**

	2008		2007
	USD	KHR'000	USD
(e) By relationship:			
Related parties	11,819	47,962	-
Non-related parties	1,361,255	5,523,972	806,167
	<u>1,373,074</u>	<u>5,571,934</u>	<u>806,167</u>
(f) By economic sectors:			
Agriculture	220,545	894,972	154,654
Household/Family	541,365	2,196,858	324,208
Services	183,320	743,913	123,131
Trade	316,595	1,284,742	204,174
Transportation	98,035	397,826	-
Staff loan with free interest	11,819	47,962	-
Others	1,395	5,661	-
	<u>1,373,074</u>	<u>5,571,934</u>	<u>806,167</u>
(g) By large exposures			
Non-large exposures	<u>1,373,074</u>	<u>5,571,934</u>	<u>806,167</u>
(h) By annual interest rates:			
Up to 10%	11,819	47,962	-
Over 10% but not over 15%	-	-	-
Over 15% but not over 18%	-	-	-
Over 18%	1,361,255	5,523,972	806,167
	<u>1,373,074</u>	<u>5,571,934</u>	<u>806,167</u>

**7. Property and equipment**

	Leasehold improvements	Office equipment & furniture	Motor vehicles	Computer & IT equipment	Total
<b>Cost</b>	USD	USD	USD	USD	USD
At 1 January 2008	1,475	11,348	12,429	5,944	31,196
Additions	879	11,081	39,937	5,577	57,474
Adjustments	-	390	-	(390)	-
Disposals	-	-	(8,022)	-	(8,022)
At 31 December 2008	<u>2,354</u>	<u>22,819</u>	<u>44,344</u>	<u>11,131</u>	<u>80,648</u>
<b>Accumulated depreciation</b>					
At 1 January 2008	137	3,374	5,600	1,302	10,413
Charges for the year	948	4,365	6,866	4,006	16,185
Adjustments	-	170	-	(125)	45
Disposals	-	-	(6,553)	-	(6,553)
At 31 December 2008	<u>1,085</u>	<u>7,909</u>	<u>5,913</u>	<u>5,183</u>	<u>20,090</u>
<b>Net book value</b>					
<b>At 31 December 2008</b>	<u><b>1,269</b></u>	<u><b>14,910</b></u>	<u><b>38,431</b></u>	<u><b>5,948</b></u>	<u><b>60,558</b></u>
<b>At 31 December 2007</b>	<u><b>1,338</b></u>	<u><b>7,974</b></u>	<u><b>6,829</b></u>	<u><b>4,642</b></u>	<u><b>20,783</b></u>
Depreciation charge for 2007	<u>262</u>	<u>2,855</u>	<u>2,104</u>	<u>387</u>	<u>5,608</u>

(Continued)

**7. Property and equipment (continued)**

<i>Equivalents in KHR'000</i>	Leasehold improvements KHR'000	Office equipment & furniture KHR'000	Motor vehicles KHR'000	Computer & IT equipment KHR'000	Total KHR'000
<b>Cost</b>					
At 1 January 2008	5,986	46,050	50,437	24,121	126,594
Additions	3,567	44,967	162,064	22,631	233,229
Adjustments	-	1,583	-	(1,583)	-
Disposals	-	-	(32,553)	-	(32,553)
At 31 December 2008	<u>9,553</u>	<u>92,600</u>	<u>179,948</u>	<u>45,169</u>	<u>327,270</u>
<b>Accumulated depreciation</b>					
At 1 January 2008	556	13,692	22,725	5,284	42,257
Charge for the year	3,847	17,713	27,862	16,256	65,678
Adjustment	-	690	-	(507)	183
Disposals	-	-	(26,592)	-	(26,592)
At 31 December 2008	<u>4,403</u>	<u>32,095</u>	<u>23,995</u>	<u>21,033</u>	<u>81,526</u>
<b>Net book value</b>					
<b>At 31 December 2008</b>	<u><b>5,150</b></u>	<u><b>60,505</b></u>	<u><b>155,953</b></u>	<u><b>24,136</b></u>	<u><b>245,744</b></u>
<b>At 31 December 2007</b>	<u><b>5,430</b></u>	<u><b>32,358</b></u>	<u><b>27,712</b></u>	<u><b>18,837</b></u>	<u><b>84,337</b></u>
Depreciation charge for 2007	<u>1,063</u>	<u>11,586</u>	<u>8,538</u>	<u>1,570</u>	<u>22,757</u>

**8. Other assets**

	2008		2007
	USD	KHR'000	USD
Prepaid on rental fee	7,440	30,192	6,600
Advances to staff	<u>1,428</u>	<u>5,795</u>	<u>1,460</u>
	<u>8,868</u>	<u>35,987</u>	<u>8,060</u>

**9. Deposits from non-bank customers**

All deposits from customers have been closed during the year.

## 10. Amounts due to shareholders

Amounts due to shareholders represent borrowings from shareholders which will mature within three months and earn interest at 10% per annum.

## 11. Short-term and long-term borrowings

	2008		2007
	USD	KHR'000	USD
Amounts falling due within one year:			
Rural Development Bank (*)	200,000	811,600	200,000
Appui au Développement Autonome (**)	75,000	304,350	-
Consorzio Etimos (***)	22,895	92,908	-
	<b>297,895</b>	<b>1,208,858</b>	<b>200,000</b>
Amount falling due over one year:			
Rural Development Bank (*)	100,000	405,800	-
Appui au Développement Autonome (**)	200,000	811,600	100,000
Consorzio Etimos (***)	100,000	405,800	65,969
Kiva (****)	466,854	1,894,494	130,950
	<b>866,854</b>	<b>3,517,694</b>	<b>296,919</b>
	<b>1,164,749</b>	<b>4,726,552</b>	<b>496,919</b>

Movements on short-term and long-term borrowings are as follows:

	2008		2007
	USD	KHR'000	USD
(*) Borrowings from RDB			
At beginning of year	200,000	811,600	230,000
Movements during the year:			
Proceeds from borrowing	350,000	1,420,300	200,000
Repayments	(250,000)	(1,014,500)	(230,000)
At end of year	<b>300,000</b>	<b>1,217,400</b>	<b>200,000</b>

(\*\*) Borrowings from Appui au Développement Autonome

At beginning of year	100,000	405,800	50,000
Movements during the year:			
Proceeds from borrowing	200,000	811,600	100,000
Repayments	(25,000)	(101,450)	(50,000)
At end of year	<b>275,000</b>	<b>1,115,950</b>	<b>100,000</b>

(Continued)

**11. Short-term and long-term borrowings (continued)**

	2008		2007
	USD	KHR'000	USD
(*** ) Borrowings from ETIMOS			
At beginning of year	65,969	267,702	98,833
Movements during the year:			
Proceeds from borrowing	100,000	405,800	15
Repayments	<u>(43,074)</u>	<u>(174,794)</u>	<u>(32,879)</u>
At end of year	<u>122,895</u>	<u>498,708</u>	<u>65,969</u>
(**** ) Borrowings from KIVA			
At beginning of year	130,950	531,395	-
Movements during the year:			
Proceeds from borrowing	681,158	2,764,139	162,572
Repayments	<u>(345,254)</u>	<u>(1,401,040)</u>	<u>(31,622)</u>
At end of year	<u>466,854</u>	<u>1,894,494</u>	<u>130,950</u>

Interests charged on these loans are as follows:

	2008	2007
	Per annum	Per annum
Loans from RDB	9%	9%
Loans from ADA	8%	8%-9%
Loans from ETIMOS	7.4%-9.3%	9.5%-10.2%
Loans from KIVA	0%	0%

**12. Other liabilities**

	2008		2007
	USD	KHR'000	USD
Accrued professional fees	3,500	14,203	1,500
Interests payable on long term borrowings	2,657	10,782	512
Accounts payable	749	3,039	766
Withholding tax liabilities	1,140	4,626	-
Insurance for staff	4,678	18,983	2,736
Provident fund	<u>14,260</u>	<u>57,867</u>	<u>8,820</u>
	<u>26,984</u>	<u>109,500</u>	<u>14,334</u>

**13. Provision for income tax**

	2008		2007
	USD	KHR'000	USD
Balance at beginning of year	4,428	17,969	5,002
Charge during the year	10,584	42,950	6,759
Taxation paid during the year	<u>(7,360)</u>	<u>(29,867)</u>	<u>(7,333)</u>
Balance at end of year	<u>7,652</u>	<u>31,052</u>	<u>4,428</u>

**Tax reconciliation**

There is no tax reconciliation by the Company to take into account the effect of expenses included in the statement of income which may not be allowed by the Tax Department as deduction for tax purposes. No provisions have been made in the financial statements for this additional tax liability.

**14. Share capital**

	2008		2007
	USD	KHR'000	USD
Ordinary shares of 40,000 Khmer Riel each:			
Balance at beginning of year	<u>270,000</u>	<u>1,095,660</u>	<u>270,000</u>
Balance at end of year	<u>270,000</u>	<u>1,095,660</u>	<u>270,000</u>

The details of the shareholding are as follows:

	2008		2007
	USD	KHR'000	USD
Mr. Uong Kimseng	60,000	243,480	60,000
Mr. An Bunhak	70,000	284,060	70,000
Ms. Sreng Sive Chheng	65,000	263,770	65,000
Mr. Pa Ponnak Rithy	24,000	97,392	24,000
Mr. Chet Chanprasoeur	31,000	125,798	31,000
Mr. Pa Ponnak Kiri	10,000	40,580	10,000
Mr. Buy Sivantha	<u>10,000</u>	<u>40,580</u>	<u>10,000</u>
	<u>270,000</u>	<u>1,095,660</u>	<u>270,000</u>

**15. Interest income**

Interest income is earned from the following sources:

	2008		2007
	USD	KHR'000	USD
Deposits and placements with banks	876	3,555	545
Loans and advances	322,965	1,310,592	225,734
	<u>323,841</u>	<u>1,314,147</u>	<u>226,279</u>

**16. Interest expense**

	2008		2007
	USD	KHR'000	USD
Interest expense on deposits	1,337	5,426	11,017
Interest expense on borrowed funds	43,128	175,013	33,509
	<u>44,465</u>	<u>180,439</u>	<u>44,526</u>

**17. Non-interest income**

	2008		2007
	USD	KHR'000	USD
Finance charge income	1,891	7,674	1,761
Others	3,545	14,386	5,058
	<u>5,436</u>	<u>22,060</u>	<u>6,819</u>

**18. Other operating expenses**

	2008		2007
	USD	KHR'000	USD
Marketing and advertising expense	1,385	5,620	122
Employee pension expenses	3,020	12,255	2,840
Employee training-work expense	704	2,857	4,325
Rental expense	14,600	59,247	3,950
Audit and tax fee	7,000	28,406	3,000
Licence fee	546	2,216	245
Communication expense	7,794	31,628	5,979
Fee and commission expense	16,731	67,894	11,598
Utilities expense	5,151	20,903	2,308

(Continued)

**18. Other operating expenses (continued)**

	2008		2007
	USD	KHR'000	USD
Security	2,933	11,902	3,057
Insurance expense	1,960	7,954	1,420
Stationery and office supplies	10,863	44,082	8,025
Travel expense	1,738	7,053	356
Membership fee	113	459	-
Employee's per diem and incidental travel	3,571	14,491	1,699
Business meal and entertainment expense	2,612	10,599	2,214
Repair and maintenance expense	1,064	4,318	-
Motor vehicle operating expense	17,753	72,041	20,551
Other tax	2,604	10,567	2,593
Donations and gifts	1,911	7,755	4,176
Other expense	914	3,709	410
Adjustment on property and equipment	45	183	-
	<u>105,012</u>	<u>426,139</u>	<u>78,868</u>

**19. Related party transactions**

	2008		2007
	USD	KHR'000	USD
<b>Investment</b>			
Investment in registered stock shares of Consorzio ETIMOS	1,417	5,750	654
<b>Deposits of borrowers: members' deposits</b>	-	-	17,510
<b>Amounts due to shareholders</b>	133,000	539,714	-
<b>Interest expense: interests paid to shareholders</b>	1,724	6,996	-

**20. Tax interpretation**

The Cambodian Tax Department 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 tax offices, the Company may be assessed additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the Tax Department for three years with a possible extension of up to ten years.

MAXIMA MIKROHERANHVATHO Co., Ltd.  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

**21. Liquidity risk**

<b>As at 31 December 2008</b>	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	No fixed maturity date	Total
	USD	USD	USD	USD	USD	USD	USD	USD
<b>ASSETS</b>								
Cash in hand	15,189	-	-	-	-	-	-	15,189
Balances with banks inside Cambodia	193,643	-	-	-	-	-	-	193,643
Balances with central bank	319	-	-	-	-	-	-	319
Statutory deposit with central bank	-	-	-	-	-	-	13,500	13,500
Loans and advances to customers	-	-	-	424,636	947,649	-	-	1,372,285
Deposit in registered stock shares of Consorzio ETIMOS	-	-	-	-	-	-	1,417	1,417
Property and equipment	-	-	-	-	60,558	-	-	60,558
Other assets	-	-	-	8,868	-	-	-	8,868
<b>TOTAL ASSETS</b>	<b>209,151</b>	<b>-</b>	<b>-</b>	<b>433,504</b>	<b>1,008,207</b>	<b>-</b>	<b>14,917</b>	<b>1,665,779</b>
<b>LIABILITIES</b>								
Deposits from non-bank customers	-	-	-	-	-	-	-	-
Short term borrowings	-	-	-	297,895	-	-	-	297,895
Provision for income tax	-	7,652	-	-	-	-	-	7,652
Amount due to shareholders	-	133,000	-	-	-	-	-	133,000
Other liabilities	-	8,046	-	-	-	-	18,938	26,984
Long-term borrowings	-	-	-	-	866,854	-	-	866,854
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>148,698</b>	<b>-</b>	<b>297,895</b>	<b>866,854</b>	<b>-</b>	<b>18,938</b>	<b>1,332,385</b>
<b>Net liquidity surplus / (gap) 2008 (USD)</b>	<b>209,151</b>	<b>(148,698)</b>	<b>-</b>	<b>135,609</b>	<b>141,353</b>	<b>-</b>	<b>(4,021)</b>	<b>333,394</b>
<b>Net liquidity surplus / (gap) 2008 (KHR'000)</b>	<b>848,735</b>	<b>(603,416)</b>	<b>-</b>	<b>550,301</b>	<b>573,610</b>	<b>-</b>	<b>(16,317)</b>	<b>1,352,913</b>
<b>As at 31 December 2007</b>								
<b>Total assets</b>	<b>64,444</b>	<b>-</b>	<b>-</b>	<b>813,782</b>	<b>20,783</b>	<b>-</b>	<b>21,204</b>	<b>920,213</b>
<b>Total liabilities</b>	<b>-</b>	<b>7,206</b>	<b>-</b>	<b>299,495</b>	<b>296,919</b>	<b>-</b>	<b>11,556</b>	<b>615,176</b>
<b>Net liquidity surplus / (gap) 2007 (USD)</b>	<b>64,444</b>	<b>(7,206)</b>	<b>-</b>	<b>514,287</b>	<b>(276,136)</b>	<b>-</b>	<b>9,648</b>	<b>305,037</b>

**FOR THE NATIONAL BANK OF CAMBODIA USE ONLY**

**SUPPLEMENTARY FINANCIAL INFORMATION  
AND OTHER DISCLOSURES REQUIRED  
BY THE NATIONAL BANK OF CAMBODIA**

**Ratio and information contained in this section have been extracted from data  
contained in the audited financial statements for the year ended 31 December 2008.**



**ម៉ាកស៊ីម៉ា មីក្រូហិរញ្ញវត្ថុ**

**MAXIMA MIKROHERANHVATHOCO., LTD**

ផ្ទះលេខ ៣៩ ផ្លូវលេខ ៣៧៤ សង្កាត់ទួលស្វាយ ព្រៃ១ ខ័ណ្ឌចំការមន ភ្នំពេញ កម្ពុជា  
No.39, St. 374, Toul Svay Prey I, Chamcarmorn, Phnom Penh CAMBODIA  
PHONE: (855) 23 214 240 / FAX: (855) 23 354 240  
E-mail: [maximacredit@yahoo.com](mailto:maximacredit@yahoo.com) / Web: <http://www.maxima.com.kh>

**STATEMENT BY THE BOARD OF DIRECTORS**

We, the undersigned, being two of the directors of Maxima Mikroheranhvatho Co., Ltd., do hereby state that in our opinion, the accompanying supplementary financial information consisting in disclosures requirements set by *Prakas* of the National Bank of Cambodia are properly drawn up so as to reflect fairly the required financial information of the Company as at 31 December 2008. Information and data contained herein is the responsibility of the Company's management.

On behalf of the Board of Directors



Mr Uong Kimseng  
Chairman

Date: 21 April 2009

Mr An Bunhak  
Vice Chairman

Date: 21 April 2009

**NET WORTH AS AT 31 DECEMBER 2008**

In accordance with the NBC's *Prakas* No. B-7-00-47 dated 16 February 2000; the Company should maintain a permanent net worth value equivalent to at least its paid-up share capital. The Company's net worth as at 31 December 2008 was calculated as follows:

	2008		2007
	USD	KHR'000	USD
<b>CATEGORY A ITEMS</b>			
Paid-up capital	270,000	1,095,660	270,000
Reserves other than re-evaluation reserves	7,122	28,902	5,653
Share premiums	-	-	-
Provision for general banking risks	-	-	-
Profit brought forward	-	-	-
Current year earnings / (losses)	-	-	-
Retained earnings	56,272	228,351	29,384
Other items approved by NBC	-	-	-
<b>SUB-TOTAL A</b>	<b>333,394</b>	<b>1,352,913</b>	<b>305,037</b>
<b>CATEGORY B ITEMS</b>			
Related party loans	-	-	-
Holding of own shares	-	-	-
Accumulated losses	-	-	-
Intangible assets	-	-	-
Loss determined on dates other than year-end	-	-	-
<b>SUB-TOTAL B</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. BASE NET WORTH (A-B)</b>	<b>333,394</b>	<b>1,352,913</b>	<b>305,037</b>
<b>CATEGORY D ITEMS</b>			
Revaluation reserve	-	-	-
Subordinated debts	-	-	-
Other items approved by the NBC	-	-	-
<b>SUB-TOTAL D</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CATEGORY E ITEMS</b>			
Equity participation in banking or financial institutions	-	-	-
Other items	-	-	-
<b>SUB-TOTAL E</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>F. TOTAL NET WORTH (C+D-E)</b>	<b>333,394</b>	<b>1,352,913</b>	<b>305,037</b>

**LIQUIDITY RATIO AS AT 31 DECEMBER 2008**

In accordance with the NBC's *Prakas* No. B 7-00-38 dated 9 February 2000 amended by *Prakas* No. B 7-02-48 dated 25 February 2002; micro-finance institutions are required to calculate a liquidity ratio which should be at least 100%. Details of calculations are shown below.

	2008		2007
	USD	KHR'000	USD
<b>A. NUMERATOR</b>			
<i>Debit items:</i>			
Cash	15,189	61,637	4,559
Deposits with the NBC excluding statutory deposits	319	1,295	140
Deposits with banks	193,643	785,803	59,745
Portion of lending to bank and financial institutions with maturity up to one month	-	-	-
Portion of lending to customers up to one month to run	-	-	-
Treasury bill with maturity up to one month	-	-	-
<b>Total debit items</b>	<b>209,151</b>	<b>848,735</b>	<b>64,444</b>
<i>Credit items:</i>			
Sight accounts with NBC, banks and financial institutions	-	-	-
Borrowings from NBC and banks less than one month to run	-	-	-
<b>Total credit items</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL A. Lender / (Borrower) position</b>	<b>209,151</b>	<b>848,735</b>	<b>64,444</b>
<b>B. DENOMINATOR</b>			
Voluntary saving deposits at 25%	-	-	24,874
<b>TOTAL B</b>	<b>-</b>	<b>-</b>	<b>24,874</b>
<b>Liquidity ratio (A/B)</b>	<b>N/A</b>	<b>-</b>	<b>259%</b>

**CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2008**

In accordance with the NBC's *Prakas* No. B 7-00-06 dated 11 January 2000 amended by *Prakas* No. B 7-07-133 dated 27 August 2007; all micro-finance institutions shall observe a solvency ratio which is the ratio of their net worth to their aggregate credit risk exposure. The result found shall not be less than 15 per cent.

	Weightings	2008		2007
		USD	KHR'000	USD
<b>NUMERATOR</b>				
<b>A. Net worth as at 31 December</b>		<b><u>333,394</u></b>	<b><u>1,352,913</u></b>	<b><u>305,037</u></b>
<b>DENOMINATOR</b>				
Cash in hand	0%	-	-	-
Deposits with the NBC	0%	-	-	-
Claims on banks rated AAA to AA-	20%	-	-	-
Claim on sovereign rated BBB+toBBB-	50%	-	-	-
Claim on banks rated A+ to A-	50%	-	-	-
Other assets	100%	1,636,771	6,642,016	894,964
Off-balance sheet items		-	-	-
Full risk	100%	-	-	-
Medium risk	50%	-	-	-
Moderate risk	20%	-	-	-
<b>B. Total risk-weighted assets</b>		<b><u>1,636,771</u></b>	<b><u>6,642,016</u></b>	<b><u>894,964</u></b>
<b>CAPITAL ADEQUACY RATIO (A/B)</b>		<b><u>20.37%</u></b>		<b><u>34.08%</u></b>

**LOAN CLASSIFICATION AND PROVISION FOR BAD AND DOUBTFUL DEBTS**

In accordance with the NBC's *Prakas* No. B 7-02-186 dated 13 September 2002; micro-finance institutions shall classify their loan portfolio into four classes defined as standard, substandard, doubtful and loss, and record specific provisions regardless of the assets (except cash) lodged as collateral. The loan classification and provision for bad and doubtful debts as at 31 December 2008 were as follows:

	Principal Loans USD	% of Provision %	NBC's Standard USD	Company's Provision USD	Difference USD
<b>At 31 December 2008</b>					
Standard	1,369,684	0%	-	-	-
Substandard	1,140	10%	114	114	-
Doubtful	2,250	30%	675	675	-
Loss	-	100%	-	-	-
	<b>1,373,074</b>		<b>789</b>	<b>789</b>	<b>-</b>
Equivalents in KHR'000	KHR'000	%	KHR'000	KHR'000	KHR'000
Standard	5,558,178	0%	-	-	-
Substandard	4,626	10%	463	463	-
Doubtful	9,130	30%	2,739	2,739	-
Loss	-	100%	-	-	-
	<b>5,571,934</b>		<b>3,202</b>	<b>3,202</b>	<b>-</b>
<b>At 31 December 2007</b>					
	USD	%	USD	USD	USD
Standard	804,083	0%	-	-	-
Substandard	1,720	10%	172	172	-
Doubtful	130	30%	39	39	-
Loss	234	100%	234	234	-
	<b>806,167</b>		<b>445</b>	<b>445</b>	<b>-</b>

**OTHER INFORMATION AND PRUDENTIAL REGULATIONS REQUIRED BY  
THE LAW ON BANKING AND FINANCIAL INSTITUTIONS**

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▪ **Minimum capital** (*Prakas* B7-00-06 dated 11 January 2000)

The Company's paid-up capital at the balance sheet date is USD 270,000 (equivalent to approximately KHR 1,095 million).

▪ **Large exposures** (*Prakas* B7-00-06 dated 11 January 2000)

Under the provisions of *Prakas* No. B7-00-06 dated 11 January 2000, all micro-finance institutions are required to maintain at all times a maximum ratio of 10% between their overall exposure resulting from their operations with each individual beneficiary and their net worth.

The Company has no large exposures at the balance sheet date.