

MAXIMA MICROFINANCE PLC.

**Financial Statements
for the year ended 31 December 2022
and
Report of the Independent Auditors**

Corporate Information

Company	Maxima Microfinance Plc.	
Registration No.	00005996	
Registered office	No. 21 AB, Street 271 Sangkat Phsar Doeum Thkov Khan Chamkamom Phnom Penh Kingdom of Cambodia	
Shareholders	Gojo & Company, Inc. (represented by Mr. Taejun Shin) Mr. An Bunhak Ms. Sarun Vithourat Ms. Sreng Sivechheng Mr. Chet Chanprasoeur Mr. Pa Ponnak Rithy Mr. Pa Ponnak Rithy (staff representative)	
Board of Directors	Mr. An Bunhak Mr. Taejun Shin Mr. Sanjay Gandhi Mr. Pa Ponnak Rithy Mr. Forsinetti Christophe Ms. Ewa Janikowska	Chairman Member Member Member Independent Director Independent Director
Management team	Mr. Tomohiro Isozaki Mr. Pa Ponnak Rithy Ms. Sreng Sivechheng Mr. Nhean Virak Mr. Hai Mongsreang Mr. Khean Darith Ms. Chea Sreymom Ms. Touch Pisey Mr. Eduardo Boyose Jr. Ms. Lay Sineath Mr. Sok Kosal Ms. Met Sovanneath Mr. Yang Ra	Chief Executive Officer Chief Executive Officer (retired on 15 January 2022) Chief Finance Officer Chief Operation Officer Acting Head of Credit Department Senior Head of IT Department Head of Internal Audit Department Head of Finance Department Head of Corporate Planning and SPM Head of Administrative and Human Resource Department Head of CVA Department Head of Compliance Department Head of Branch Operation Department

Corporate Information (continued)

Principal bankers	Aceda Bank Plc. Vattanac Bank Plc. Phnom Penh Commercial Bank Plc Canadia Bank Plc. Wing Bank (Cambodia) Plc
Auditors	KPMG Cambodia Ltd

Maxima Microfinance Plc.

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MAXIMA
Microfinance

គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ **ម៉ាកស៊ីម៉ា ភីអិលស៊ី**
MAXIMA Microfinance Plc.

Report of the Directors

The Directors have pleasure in submitting their report together with the audited financial statements of Maxima Microfinance Plc. ("the Company") for the year ended 31 December 2022.

Principal activities

The principal activity of the Company is to provide micro-finance services to the economically active poor population comprise granting credit for poor and low-income households and small enterprise operating in the Kingdom of Cambodia.

Financial results

The financial results of the Company for the year ended 31 December 2022 were as follows:

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Profit before income tax	91,442	373,724	143,833	585,112
Income tax expense	<u>(1,741)</u>	<u>(7,116)</u>	<u>(28,506)</u>	<u>(115,962)</u>
Net profit for the year	<u>89,701</u>	<u>366,608</u>	<u>115,327</u>	<u>469,150</u>

Share capital

There is no change in the shareholding structure during the year. Refer to Note 17 for detail.

Dividends

At the reporting date, no dividend was declared or paid and the Directors do not recommend any dividend to be paid in respect of the year ended 31 December 2022.

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.

Maxima Microfinance Plc.

Bad and doubtful loans

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and 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.

At the date of this report, the Directors are 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 material extent.

Assets

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ensure that any current assets, other than loans, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Company had been written down to amounts which they might be expected to realise.

At the date of this report, the Directors are/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 Directors are 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 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; or
- (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 12 months after the end of the financial year which, in the opinion of the Directors, will or may materially affect the ability of the Company to meet its obligations as and when they fall due.

Events since the reporting date

At the date of this report, there have been no significant events occurring after the reporting date which would require adjustments or disclosures to be made in the financial statements.

Maxima Microfinance Plc.

The Board of Directors

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

Mr. An Bunhak	Chairman
Mr. Taejun Shin	Member
Mr. Sanjay Gandhi	Member
Mr. Pa Ponnak Rithy	Member
Mr. Forsinetti Christophe	Independent Director
Ms. Ewa Janikowska	Independent Director

Items of an unusual nature

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

There has not arisen in the interval between the end of the 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 Directors, to affect materially the results of the operations of the Company for the current financial year in which this report is made.

Directors' interests

The Directors who held office at the end of the financial year and their interests in the shares of the Company were as follows:

	31 December 2022			31 December 2021		
	% of ownership	Number of shares	Amount US\$	% of ownership	Number of shares	Amount US\$
Mr. An Bunhak	<u>19.63%</u>	<u>100,000</u>	<u>1,000,000</u>	<u>19.63%</u>	<u>100,000</u>	<u>1,000,000</u>

Directors' benefits

During and at the end of the financial year, no arrangements existed to which the Company is a party with the objective of enabling Directors of the Company to acquire benefits by means of share purchase option.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a 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.

Maxima Microfinance Plc.

Responsibilities of Directors in respect of the financial statements

The Directors are responsible for ascertaining that the financial statements as set out on page 8 to 54 are properly drawn up so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Directors are required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- comply with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs"), 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;
- oversee the Company's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so; and
- control and direct the Company effectively in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Approval of the financial statements

I do hereby approve the accompanying financial statements which, in my opinion, present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with CIFRS for SMEs.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board,



Mr. An Bunhak
Chairman

Phnom Penh, Kingdom of Cambodia

Date: 24 April 2023



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Report of the independent auditors

To the shareholders of Maxima Microfinance Plc.

Opinion

We have audited the financial statements of Maxima Microfinance Plc. (“the Company”), which comprise the statement of financial position as at 31 December 2022, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 8 to 54 (hereafter referred as “the financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities (“CIFRS for SMEs”).

Basis for Opinion

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

Emphasis of Matter – Comparative Information

We draw attention to Note 32 to the financial statements which indicates that the comparative information presented as at 31 December 2021 has been restated. Our opinion is not modified in respect of this matter.

Other Matters relating to Comparative Information

The financial statements of the Company as at and for the year ended 31 December 2021 and 31 December 2020 (from which the statement of financial position as at 1 January 2021 has been derived), excluding adjustments described in Note 32 to the financial statements, were audited by another firm of auditors who expressed an unmodified opinion on those financial statements on 13 April 2022.



As part of our audit of the financial statements as at and for the year ended 31 December 2022, we audited the adjustments described in Note 32 that were applied to restate the comparative information presented as at and for the year ended 31 December 2021 and the statement of financial position as at 1 January 2021. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 31 December 2021 or 31 December 2020 (no presented herein) or to the statement of financial position as at 1 January 2021, other than with respect to the adjustments described in Note 32 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 32 are appropriate and have been properly applied.

Other Information

Management is responsible for the other information. The other information comprises the Report of the Directors as set out on pages 1 to 4, and the annual report, which is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with CIFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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



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

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

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

For KPMG Cambodia Ltd



Taing YoukFong
Partner

Phnom Penh, Kingdom of Cambodia

24 April 2023

Maxima Microfinance Plc.

Statement of financial position as at 31 December 2022

	Note	31 December 2022		31 December 2021	
		US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5) <i>(Restated)</i>
ASSETS					
Cash on hand	6	24,053	99,026	26,435	107,696
Balances with banks and financial institutions	7	1,059,846	4,363,386	3,356,982	13,676,345
Balances with the National Bank of Cambodia	8	2,490,412	10,253,026	1,315,617	5,359,824
Loans to customers, net	9	31,161,257	128,290,895	21,506,535	87,617,624
Equity investment	10	10,000	41,170	10,000	40,740
Other assets	11	60,588	249,441	106,929	435,629
Property and equipment	12	109,310	450,029	110,569	450,458
Intangible assets	13	21,501	88,520	15,726	64,068
Deferred tax assets, net	20D	108,010	444,677	109,751	447,126
TOTAL ASSETS		35,044,977	144,280,170	26,558,544	108,199,510
LIABILITIES AND EQUITY					
Liabilities					
Borrowings	14	25,078,604	103,248,613	16,793,778	68,417,852
Employee benefit obligations	15	27,971	115,157	40,180	163,693
Other liabilities	16	556,064	2,289,316	400,277	1,630,728
Minimum tax/current income tax liability	20C	5,018	20,659	36,690	149,475
Total liabilities		25,667,657	105,673,745	17,270,925	70,361,748
Equity					
Share capital	17	5,095,290	20,569,686	5,095,290	20,569,686
Share premium	17	1,538,174	6,209,608	1,538,174	6,209,608
Regulatory reserves	18	324,126	1,318,048	33,497	130,247
Revenue reserves	19	133,424	538,428	133,424	538,428
Retained earnings		2,286,306	9,248,807	2,487,234	10,070,000
Currency translation reserves		-	721,848	-	319,793
Total equity		9,377,320	38,606,425	9,287,619	37,837,762
TOTAL LIABILITIES AND EQUITY		35,044,977	144,280,170	26,558,544	108,199,510

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

Maxima Microfinance Plc.

Statement of comprehensive income for the year ended 31 December 2022

	Note	2022		2021	
		US\$	KHR'000	US\$	KHR'000
			(Note 5)		(Note 5)
				<i>(Restated)</i>	
Interest income	21	4,571,857	18,685,180	3,808,122	15,491,440
Interest expense	22	<u>(1,339,683)</u>	<u>(5,475,284)</u>	<u>(1,057,901)</u>	<u>(4,303,541)</u>
Net interest income		3,232,174	13,209,896	2,750,221	11,187,899
Fee and commission income, net	23	178,887	731,111	23,558	95,834
Other income	24	152,119	621,710	92,708	377,136
Foreign exchange loss		<u>(40,269)</u>	<u>(164,579)</u>	<u>(8,736)</u>	<u>(35,538)</u>
Net operating income		3,522,911	14,398,138	2,857,751	11,625,331
Net impairment loss on financial assets	9	(360,358)	(1,472,783)	(387,629)	(1,576,875)
Personnel expenses	25	(2,066,008)	(8,443,775)	(1,692,488)	(6,885,042)
Depreciation and amortisation	26	(65,837)	(269,076)	(57,192)	(232,657)
Operating expenses	27	(889,318)	(3,634,643)	(576,609)	(2,345,645)
Minimum tax expense	20B	<u>(49,948)</u>	<u>(204,137)</u>	-	-
Profit before income tax		91,442	373,724	143,833	585,112
Income tax expense	20B	<u>(1,741)</u>	<u>(7,116)</u>	<u>(28,506)</u>	<u>(115,962)</u>
Net profit for the year		<u>89,701</u>	<u>366,608</u>	<u>115,327</u>	<u>469,150</u>
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Currency translation differences		-	402,055	-	266,690
Total comprehensive income for the year		<u>89,701</u>	<u>768,663</u>	<u>115,327</u>	<u>735,840</u>

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

Maxima Microfinance Plc.

Statement of changes in equity for the year ended 31 December 2022

	Share capital		Share premium		Regulatory reserves		Revenue reserves		Retained earnings		Currency translation reserves		Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
	(Note 5)		(Note 5)		(Note 5)		(Note 5)		(Note 5)		(Note 5)		(Note 5)	
At 1 January 2022	5,095,290	20,569,686	1,538,174	6,209,608	33,497	130,247	133,424	538,428	2,487,234	10,070,000	-	319,793	9,287,619	37,837,762
Transactions with the shareholders:														
Transferred to regulatory reserves	-	-	-	-	290,629	1,187,801	-	-	(290,629)	(1,187,801)	-	-	-	-
	-	-	-	-	290,629	1,187,801	-	-	(290,629)	(1,187,801)	-	-	-	-
Total comprehensive income:														
Net profit for the year	-	-	-	-	-	-	-	-	89,701	366,608	-	-	89,701	366,608
<i>Other comprehensive income</i>														
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	402,055	-	402,055
	-	-	-	-	-	-	-	-	89,701	366,608	-	402,055	89,701	768,663
At 31 December 2022	<u>5,095,290</u>	<u>20,569,686</u>	<u>1,538,174</u>	<u>6,209,608</u>	<u>324,126</u>	<u>1,318,048</u>	<u>133,424</u>	<u>538,428</u>	<u>2,286,306</u>	<u>9,248,807</u>	<u>-</u>	<u>721,848</u>	<u>9,377,320</u>	<u>38,606,425</u>

Maxima Microfinance Plc.

Statement of changes in equity (continued) for the year ended 31 December 2022

	Share capital		Share premium		Regulatory reserves		Revenue reserves		Retained earnings		Currency translation reserves		Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
	(Note 5)		(Note 5)		(Note 5)		(Note 5)		(Note 5)		(Note 5)		(Note 5)	
At 1 January 2021	5,095,290	20,569,686	1,538,174	6,209,608	183,182	740,064	133,424	538,428	2,222,222	8,991,033	-	53,103	9,172,292	37,101,922
Transactions with the shareholders:														
Transferred from regulatory reserves	-	-	-	-	(149,685)	(609,817)	-	-	149,685	609,817	-	-	-	-
	-	-	-	-	(149,685)	(609,817)	-	-	149,685	609,817	-	-	-	-
Total comprehensive income:														
Net profit for the year	-	-	-	-	-	-	-	-	115,327	469,150	-	-	115,327	469,150
Other comprehensive income									-	-				
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	266,690	-	266,690
	-	-	-	-	-	-	-	-	115,327	469,150	-	266,690	115,327	735,840
At 31 December 2021	<u>5,095,290</u>	<u>20,569,686</u>	<u>1,538,174</u>	<u>6,209,608</u>	<u>33,497</u>	<u>130,247</u>	<u>133,424</u>	<u>538,428</u>	<u>2,487,234</u>	<u>10,070,000</u>	<u>-</u>	<u>319,793</u>	<u>9,287,619</u>	<u>37,837,762</u>

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

Maxima Microfinance Plc.

Statement of cash flows for the year ended 31 December 2022

	Note	2022		2021	
		US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Cash flows from operating activities					
Net profit for the year		89,701	366,608	115,327	469,150
<i>Adjustments for:</i>					
Income tax expense	20B	1,741	7,116	28,506	115,962
Minimum tax expense	20B	49,948	204,137	-	-
Net interest income		(3,225,012)	(13,180,624)	(2,750,221)	(11,187,899)
Net impairment loss on financial assets	9	322,589	1,318,421	262,633	1,068,392
Loan written off		37,769	154,362	124,996	508,484
Depreciation and amortisation		65,837	269,076	57,192	232,657
		<u>(2,657,427)</u>	<u>(10,860,904)</u>	<u>(2,161,567)</u>	<u>(8,793,254)</u>
<i>Changes in:</i>					
Loans to customers – gross	9	(10,069,192)	(41,152,788)	(1,119,689)	(4,554,895)
Other assets	11	46,341	189,396	6,584	26,784
Other liabilities	16	155,787	636,701	70,732	287,737
Cash used in operations		<u>(12,524,491)</u>	<u>(51,187,595)</u>	<u>(3,203,940)</u>	<u>(13,033,628)</u>
Interest received		4,618,807	18,877,064	3,789,036	15,413,798
Interest paid		(1,536,047)	(6,277,824)	(998,760)	(4,062,956)
Employee benefit obligation paid		(12,209)	(49,898)	(9,220)	(37,507)
Minimum tax/income tax paid	20D	<u>(81,620)</u>	<u>(333,581)</u>	<u>(140,321)</u>	<u>(570,826)</u>
Net cash used in operating activities		<u>(9,535,560)</u>	<u>(38,971,834)</u>	<u>(563,205)</u>	<u>(2,291,119)</u>
Cash flows from investing activities					
Acquisition of property and equipment		(50,003)	204,362	(94,332)	(383,743)
Acquisition of intangible assets		<u>(20,350)</u>	<u>83,170</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities		<u>(70,353)</u>	<u>287,532</u>	<u>(94,332)</u>	<u>(383,743)</u>

Maxima Microfinance Plc.

Statement of cash flows (continued) for the year ended 31 December 2022

	Note	2022		2021	
		US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Cash flows from financing activities					
Drawdown of borrowings	14	15,250,000	62,326,750	2,750,000	11,187,000
Repayments of borrowings	14	<u>(6,768,810)</u>	<u>(27,664,126)</u>	<u>(1,141,678)</u>	<u>(4,644,346)</u>
Net cash generated from financing activities		<u>8,481,190</u>	<u>34,662,624</u>	<u>1,608,322</u>	<u>6,542,654</u>
Net (decrease)/increase in cash and cash equivalents		(1,124,723)	(4,021,678)	950,785	3,867,792
Cash and cash equivalents at 1 January		4,444,269	18,105,952	3,493,484	14,211,493
Currency translation differences		<u>-</u>	<u>(417,704)</u>	<u>-</u>	<u>26,667</u>
Cash and cash equivalents at 31 December	29	<u><u>3,319,546</u></u>	<u><u>13,666,570</u></u>	<u><u>4,444,269</u></u>	<u><u>18,105,952</u></u>

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

Maxima Microfinance Plc.

Notes to the financial statements for the year ended 31 December 2022

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Reporting entity

Maxima Microfinance Plc. (“the Company”), originally known as Maxima Organisation for Household Economic Development (“the Institution”), is a private limited company incorporated in Cambodia and registered with the Ministry of Commerce on 27 July 2005 under the Registration Number 00005996 (previously Co.7897E/2005). On 10 August 2005, the Company obtained license No. 013 from the National Bank of Cambodia (“the NBC”) to operate as a micro-finance institution to provide micro-finance services to the economically active poor population of Cambodia. On 22 February 2012, the NBC granted a permanent license no. M.F 013 to the Company who also amended its name to Maxima Mikroheranhvatho Plc.. On 22 July 2015, the NBC approved the amendment of the new name of the Company as Maxima Microfinance Plc.

The principal activity of the Company is to provide micro-finance services to the economically active poor population comprise granting credit for poor and low-income households and small enterprise operating in the Kingdom of Cambodia.

The address of its registered office and principal place of business is located at No. 21AB, Street 271, Sangkat Phsar Doeum Thkov, Khan Chamkamorn, Phnom Penh, Kingdom of Cambodia. The Company's provincial branches are located in Kandal, Kampong Speu, Kampong Cham, Tboung Khmom Takeo, Kampong Chhnang, Kampong Thom, Pursat, Battambang and Siem Reap provinces.

As at 31 December 2022, the Company had 311 employees (31 December 2021: 232 employees).

2. Basis of accounting

A. Statement of compliance

The financial statements have been prepared in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities (“CIFRS for SMEs”).

The financial statements of the Company were authorised for issue by the Board of Directors on 24 April 2023.

Details of the Company’s accounting policies are included in Note 33.

B. Basis of measurement

The financial statements have been prepared on a historical cost, except when otherwise indicated.

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

3. Functional and presentation currency

The Company transacts its business and maintains its accounting records in two currencies, Khmer Riel (“KHR”) and United States Dollars (“US\$”). Management has determined the US\$ to be the Company’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

These financial statements are presented in US\$, which is the Company’s functional currency. All amounts have been rounded to the nearest dollar or thousand riels, except when otherwise indicated.

4. Use of estimates and judgements

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2022 is set out below in relation to the impairment of financial instruments and in the following note in relation to other areas:

- Note 33B(vii) – identification and measurement of impairment.

5. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars (“US\$”) which is the Company’s functional currency. The translations of United States Dollars amounts into Khmer Riel (“KHR”) meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in compliance with CIFRS for SMEs Section 30, *Foreign Currency Translation*.

Assets and liabilities are translated at the closing rate as at the reporting date and share capital and other equity items are translated at the historical rate. The statements of comprehensive income and cash flows are translated into KHR using the average rate for the year, which have been deemed to approximate the exchange rates at the date of transaction as exchange rates have not fluctuated significantly during the period. Exchange differences arising from the translation are recognised as “Currency translation reserves” in the other comprehensive income.

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

5. Translation of United States Dollars into Khmer Riel (continued)

The Company uses the following exchange rates:

			Closing rate	Average rate
31 December 2022	US\$1	=	KHR4,117	KHR4,087
31 December 2021	US\$1	=	<u>KHR4,074</u>	<u>KHR4,068</u>

These convenience 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.

6. Cash on hand

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
US Dollars	15,739	64,797	11,643	47,434
Khmer Riels	<u>8,314</u>	<u>34,229</u>	<u>14,792</u>	<u>60,262</u>
	<u>24,053</u>	<u>99,026</u>	<u>26,435</u>	<u>107,696</u>

7. Balances with banks and financial institutions

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Current accounts	22,444	92,402	256,144	1,043,531
Saving accounts	1,037,402	4,270,984	1,093,523	4,455,013
Time deposits	<u>-</u>	<u>-</u>	<u>2,007,315</u>	<u>8,177,801</u>
	<u>1,059,846</u>	<u>4,363,386</u>	<u>3,356,982</u>	<u>13,676,345</u>

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

7. Balances with banks and financial institutions (continued)

Balances with banks and financial institutions are further analysed as follows:

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
A. By maturity:				
Within 1 month	1,059,846	4,363,386	1,349,667	5,498,544
2 to 3 months	-	-	-	-
4 to 12 months	-	-	2,007,315	8,177,801
Over 12 months	-	-	-	-
	<u>1,059,846</u>	<u>4,363,386</u>	<u>3,356,982</u>	<u>13,676,345</u>

B. By interest rate (per annum):

Annual interest rates applicable to balances with banks and financial institutions at the year ended were as follows:

	31 December 2022	31 December 2021
Term deposits	<u>-</u>	<u>0.75%</u>

8. Balances with the National Bank of Cambodia

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Current accounts	2,235,647	9,204,158	1,060,852	4,321,911
Capital guarantee deposit (*)	<u>254,765</u>	<u>1,048,868</u>	<u>254,765</u>	<u>1,037,913</u>
	<u>2,490,412</u>	<u>10,253,026</u>	<u>1,315,617</u>	<u>5,359,824</u>

(*) In compliance with Prakas B7-00-006 Pro Kor dated 11 January 2000 and B7-06-209 Pro Kor dated 13 September 2006 on the Licensing of Microfinance Institutions, the Company is required to maintain a statutory capital deposit with the NBC of 5% of registered capital. This deposit is not available for use in the Company's day-to-day operations but is refundable when the Company voluntarily ceases to operate the business in Cambodia.

The capital guarantee deposit earns interest rate at 1.19% (2021: 0.04%) per annum.

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

9. Loans to customers, net

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Individual loans	9,064,460	37,318,382	6,061,030	24,692,636
Group loans	1,463,321	6,024,493	352,664	1,436,753
Staff loan	336,554	1,385,593	120,483	490,848
Small-Medium entities loan	21,159,430	87,113,373	15,458,165	62,976,564
Loans to customers, gross	32,023,765	131,841,841	21,992,342	89,596,801
Accrued interest receivables	294,422	1,212,135	201,862	822,385
Less: Unearned loan processing fee	(399,852)	(1,646,191)	(253,180)	(1,031,455)
Less: Impairment loss allowance	(757,078)	(3,116,890)	(434,489)	(1,770,107)
	<u>31,161,257</u>	<u>128,290,895</u>	<u>21,506,535</u>	<u>87,617,624</u>

The movement in the impairment loss allowance during the year was as follows:

	Individual assessment	Collective assessment	Total	
	US\$	US\$	US\$	KHR'000 (Note 5)
2022				
At 1 January 2022	249,030	185,459	434,489	1,770,107
Recognised in profit or loss	84,028	276,330	360,358	1,472,783
Write-offs during the year	-	(37,769)	(37,769)	(154,362)
Currency translation differences	-	-	-	28,362
At 31 December 2022	<u>333,058</u>	<u>424,020</u>	<u>757,078</u>	<u>3,116,890</u>
2021				
At 1 January 2021	28,015	143,841	171,856	695,158
Recognised in profit or loss	221,015	166,614	387,629	1,576,875
Write-offs during the year	-	(124,996)	(124,996)	(508,484)
Currency translation differences	-	-	-	6,558
At 31 December 2021	<u>249,030</u>	<u>185,459</u>	<u>434,489</u>	<u>1,770,107</u>

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

9. Loans to customers, net (continued)

Gross loans to customers are analysed as follows:

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
A. By maturity:				
Within 3 months	299,625	1,233,556	205,025	835,272
Within 6 months	403,975	1,663,165	382,880	1,559,853
Within 9 12 months	1,354,562	5,576,732	1,147,660	4,675,567
Over 12 months	29,965,603	123,368,388	20,256,777	82,526,109
	<u>32,023,765</u>	<u>131,841,841</u>	<u>21,992,342</u>	<u>89,596,801</u>
B. By currency:				
US dollars	27,531,439	113,346,934	19,324,648	78,728,616
Khmer Riel	4,492,326	18,494,907	2,667,694	10,868,185
	<u>32,023,765</u>	<u>131,841,841</u>	<u>21,992,342</u>	<u>89,596,801</u>
C. By economic sector:				
Agriculture	5,600,882	23,058,831	4,213,813	17,167,074
Trade and commerce	4,080,842	16,800,827	3,331,686	13,573,289
Services	1,706,017	7,023,672	1,501,525	6,117,213
Transportation	1,841,168	7,580,089	1,486,982	6,057,965
Construction	11,901,181	48,997,162	8,078,969	32,913,720
Household/family	988,595	4,070,046	475,835	1,938,552
Staff loans	336,554	1,385,593	120,483	490,848
Others	5,568,526	22,925,621	2,783,049	11,338,140
	<u>32,023,765</u>	<u>131,841,841</u>	<u>21,992,342</u>	<u>89,596,801</u>
D. By residency status:				
Residents	<u>32,023,765</u>	<u>131,841,841</u>	<u>21,992,342</u>	<u>89,596,801</u>
E. By relationship:				
External customers	31,687,211	130,456,248	21,871,859	89,105,953
Staff loans	336,554	1,385,593	120,483	490,848
	<u>32,023,765</u>	<u>131,841,841</u>	<u>21,992,342</u>	<u>89,596,801</u>
F. By secured/unsecured:				
Secured	27,740,124	114,206,091	20,989,817	85,512,515
Unsecured	4,283,641	17,635,750	1,002,525	4,084,286
	<u>32,023,765</u>	<u>131,841,841</u>	<u>21,992,342</u>	<u>89,596,801</u>

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

9. Loans to customers, net (continued)

Gross loans to customers are analysed as follows: (continued)

F. By secured/unsecured: (continued)

Secured loans are collateralised by hard and soft title deed. Soft title deed is not issued by cadastral department but is verified by the village chiefs where the property is located. Unsecured loans represent the uncollateralised loans.

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
G. By overdue:				
Loans of one year or less:				
< 15 days	773,942	3,186,319	943,212	3,842,646
15 days – 30 days	25,543	105,161	15,181	61,847
31 days – 60 days	37,119	152,819	20,524	83,615
61 days – 90 days	20,879	85,959	9,862	40,178
≥ 91 days	193,937	798,439	33,635	137,029
	<u>1,051,420</u>	<u>4,328,697</u>	<u>1,022,414</u>	<u>4,165,315</u>
Loans of more than one year				
< 30 days	27,762,665	114,298,892	20,646,465	84,113,698
≥ 30 days – 89 days	2,542,461	10,467,312	106,108	432,284
≥ 90 days – 179 days	123,150	507,009	60,565	246,742
≥ 180 days – 359 days	29,126	119,912	102,921	419,300
More than 359 days	514,943	2,120,019	53,869	219,462
	<u>30,972,345</u>	<u>127,513,144</u>	<u>20,969,928</u>	<u>85,431,486</u>
	<u>32,023,765</u>	<u>131,841,841</u>	<u>21,992,342</u>	<u>89,596,801</u>
H. By concession:				
Restructured (*)	2,779,572	11,443,498	5,278,930	21,506,361
Non restructured	29,244,193	120,398,343	16,713,412	68,090,440
	<u>32,023,765</u>	<u>131,841,841</u>	<u>21,992,342</u>	<u>89,596,801</u>

(*) A “restructured loan” is a loan that original contractual terms have been modified to provide for concessions for the borrowers for reasons related to temporary financial difficulties.

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

9. Loans to customers, net (continued)

I. By interest rate (per annum):

Annual interest rates applicable to loans to customers at the year end were as follows:

	31 December 2022	31 December 2021
Individual loan	14.64% - 18.00%	14.40% - 18.00%
Group loan	15.60% - 18.00%	15.60% - 18.00%
Staff loan	12.00% - 15.60%	15.60%
Small-Medium entities loan	<u>13.20% - 18.00%</u>	<u>13.32% - 18.00%</u>

10. Equity investment

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

11. Other assets

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Non-refundable deposit	41,535	171,000	45,227	184,255
Prepayments	16,716	68,820	58,077	236,606
Others	<u>2,337</u>	<u>9,621</u>	<u>3,625</u>	<u>14,768</u>
	<u>60,588</u>	<u>249,441</u>	<u>106,929</u>	<u>435,629</u>

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

12. Property and equipment

2022	Leasehold improvements US\$	Office equipment US\$	Computer and IT equipment US\$	Furniture and fixtures US\$	Motor vehicles US\$	US\$	Total KHR'000 (Note 5)
Cost							
At 1 January 2022	36,118	46,332	165,729	29,836	92,832	370,847	1,510,831
Additions	3,710	505	34,317	11,471	-	50,003	204,362
Currency translation differences	-	-	-	-	-	-	17,446
At 31 December 2022	<u>39,828</u>	<u>46,837</u>	<u>200,046</u>	<u>41,307</u>	<u>92,832</u>	<u>420,850</u>	<u>1,732,639</u>
Less: Accumulated depreciation							
At 1 January 2022	29,612	39,358	76,285	25,242	89,781	260,278	1,060,373
Depreciation for the year	4,879	5,269	34,087	3,976	3,051	51,262	209,508
Currency translation differences	-	-	-	-	-	-	12,729
At 31 December 2022	<u>34,491</u>	<u>44,627</u>	<u>110,372</u>	<u>29,218</u>	<u>92,832</u>	<u>311,540</u>	<u>1,282,610</u>
Carrying amounts							
At 31 December 2022	<u>5,337</u>	<u>2,210</u>	<u>89,674</u>	<u>12,089</u>	<u>-</u>	<u>109,310</u>	<u>450,029</u>

Included in the cost of property and equipment were items costing US\$216,198 which were fully depreciated as at 31 December 2022 (31 December 2021: US\$129,394), which are still in active use.

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

12. Property and equipment (continued)

2021	Leasehold improvements US\$	Office equipment US\$	Computer and IT equipment US\$	Furniture and fixtures US\$	Motor vehicles US\$	US\$	Total KHR'000 (Note 5)
Cost							
At 1 January 2021	34,176	45,758	77,622	26,127	92,832	276,515	1,118,503
Additions	1,942	574	88,107	3,709	-	94,332	383,743
Currency translation differences	-	-	-	-	-	-	8,585
At 31 December 2021	<u>36,118</u>	<u>46,332</u>	<u>165,729</u>	<u>29,836</u>	<u>92,832</u>	<u>370,847</u>	<u>1,510,831</u>
Less: Accumulated depreciation							
At 1 January 2021	24,143	32,905	53,827	22,859	77,932	211,666	856,189
Depreciation for the year	5,469	6,453	22,458	2,383	11,849	48,612	197,754
Currency translation differences	-	-	-	-	-	-	6,430
At 31 December 2021	<u>29,612</u>	<u>39,358</u>	<u>76,285</u>	<u>25,242</u>	<u>89,781</u>	<u>260,278</u>	<u>1,060,373</u>
Carrying amounts							
At 31 December 2021	<u>6,506</u>	<u>6,974</u>	<u>89,444</u>	<u>4,594</u>	<u>3,051</u>	<u>110,569</u>	<u>450,458</u>

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

13. Intangible assets

	Computer and banking software			
	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Cost				
At 1 January	42,900	174,775	42,900	173,530
Additions	20,350	83,170	-	-
Currency translation differences	-	2,455	-	1,245
At 31 December	<u>63,250</u>	<u>260,400</u>	<u>42,900</u>	<u>174,775</u>
Less: Accumulated amortisation				
At 1 January	27,174	110,707	18,594	75,212
Amortisation for the year	14,575	59,568	8,580	34,903
Currency translation differences	-	1,605	-	592
At 31 December	<u>41,749</u>	<u>171,880</u>	<u>27,174</u>	<u>110,707</u>
Carrying amounts				
At 31 December	<u>21,501</u>	<u>88,520</u>	<u>15,726</u>	<u>64,068</u>

14. Borrowings

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
<i>Current portion:</i>				
Corporate	<u>8,000,000</u>	<u>32,936,000</u>	<u>1,163,639</u>	<u>4,740,665</u>
<i>Non-current portion:</i>				
Corporate	<u>17,167,556</u>	<u>70,678,828</u>	<u>15,522,727</u>	<u>63,239,590</u>
	25,167,556	103,614,828	16,686,366	67,980,255
Interest payable	125,417	516,342	165,608	674,688
Unamortised borrowing processing fee	<u>(214,369)</u>	<u>(882,557)</u>	<u>(58,196)</u>	<u>(237,091)</u>
	<u>25,078,604</u>	<u>103,248,613</u>	<u>16,793,778</u>	<u>68,417,852</u>

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

14. Borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities and operating activities:

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	16,793,778	68,417,852	15,126,315	61,185,944
Changes from financing cash flows				
Proceeds from borrowings	15,250,000	62,326,750	2,750,000	11,187,000
Repayment of borrowings	(6,768,810)	(27,664,126)	(1,141,678)	(4,644,346)
	8,481,190	34,662,624	1,608,322	6,542,654
Changes from operating cash flows				
Interest expense	1,339,683	5,475,284	1,057,901	4,303,541
Interest paid	(1,536,047)	(6,277,824)	(998,760)	(4,062,956)
	(196,364)	(802,540)	59,141	240,585
Currency translation differences	-	970,677	-	448,669
At 31 December	<u>25,078,604</u>	<u>103,248,613</u>	<u>16,793,778</u>	<u>68,417,852</u>

Borrowings are analysed as follows:

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
A. By maturity:				
Within 1 month	2,000,000	8,234,000	-	-
2 to 3 months	500,000	2,058,500	-	-
4 to 12 months	5,500,000	22,643,500	1,163,639	4,740,665
1 to 5 years	17,167,556	70,678,828	15,522,727	63,239,590
Over 5 years	-	-	-	-
	<u>25,167,556</u>	<u>103,614,828</u>	<u>16,686,366</u>	<u>67,980,255</u>
B. By currency:				
Khmer Riel	-	-	163,639	666,665
US Dollars	<u>25,167,556</u>	<u>103,614,828</u>	<u>16,522,727</u>	<u>67,313,590</u>
	<u>25,167,556</u>	<u>103,614,828</u>	<u>16,686,366</u>	<u>67,980,255</u>

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

14. Borrowings (continued)

Borrowings are analysed as follows: (continued)

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
C. By relationship:				
Related parties (Note 28C)	6,000,000	24,702,000	10,000,000	40,740,000
Non-related parties	<u>19,167,556</u>	<u>78,912,828</u>	<u>6,686,366</u>	<u>27,240,255</u>
	<u>25,167,556</u>	<u>103,614,828</u>	<u>16,686,366</u>	<u>67,980,255</u>

D. By interest rate (per annum):

Annual interest rates applicable to borrowings at the year end were as follows:

	31 December 2022	31 December 2021
US Dollars	5.70% - 8.72%	6.66% - 8.72%
Khmer Riel	<u>-</u>	<u>8.5% - 9%</u>

15. Employee benefit obligations

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Non-current	<u>27,971</u>	<u>115,157</u>	<u>40,180</u>	<u>163,693</u>

This represents liability for seniority back-pay indemnity required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018, and subsequently amended by the Guidance No. 042/19 dated 22 March 2019.

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

15. Employee benefit obligations (continued)

The movement of liability for employee benefit obligations was as follows:

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	40,180	163,693	49,400	199,823
Paid during the year	(12,209)	(49,898)	(9,220)	(37,507)
Currency translation differences	-	1,362	-	1,377
At 31 December	<u>27,971</u>	<u>115,157</u>	<u>40,180</u>	<u>163,693</u>

16. Other liabilities

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Accrued staff bonus and vacation	135,879	559,414	109,707	446,946
Accrued other expenses	52,178	214,817	90,307	367,911
Customers prepayment for loan resettlement	313,949	1,292,528	165,032	672,340
Salary and withholding tax payable	46,212	190,255	31,460	128,168
Others	7,846	32,302	3,771	15,363
	<u>556,064</u>	<u>2,289,316</u>	<u>400,277</u>	<u>1,630,728</u>

17. Share capital and share premium

A. Share capital

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Registered, issued and fully paid up share capital of 509,529 at US\$10 each	<u>5,095,290</u>	<u>20,569,686</u>	<u>5,095,290</u>	<u>20,569,686</u>

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Notes to the financial statements (continued) for the year ended 31 December 2022

17. Share capital and share premium (continued)

A. Share capital (continued)

The Company's shareholders and their respective interest are as follows:

	31 December 2022/2021		
	% of Ownership	Number of shares	Amount US\$
Gojo & Company, Inc.	61.63%	314,029	3,140,290
Mr. An Bunhak	19.63%	100,000	1,000,000
Ms. Sreng Sivechheng	8.44%	43,000	430,000
Ms. Sarun Vithourat	8.24%	42,000	420,000
Mr. Chet Chanprasoeur	1.08%	5,500	55,000
Mr. Pa Ponnak Rithy	0.86%	4,385	43,850
Mr. Pa Ponnak Rithy (staff representative)	0.12%	615	6,150
	<u>100%</u>	<u>509,529</u>	<u>5,095,290</u>
Equivalent in KHR'000 (Note 5)			<u>20,569,686</u>

There was no change in shareholders and shareholding structure of the Company during the financial year.

B. Share premium

	31 December 2022/2021		
	Number of shares	Amount US\$	Amount KHR'000 (Note 5)
3 September 2012 (i)	51,500	121,025	488,578
17 October 2014 (ii)	176,000	574,992	2,321,242
16 December 2016 (iii)	202,029	842,157	3,399,788
	<u>429,529</u>	<u>1,538,174</u>	<u>6,209,608</u>

- (i) On 3 September 2012, the Board of Directors decided to increase the number of the Company's share from 80,000 shares to 131,500 shares by issuing 51,500 new shares at US\$12.35 for each share. The excess of US\$2.35 per share over the US\$10 par value was recognised as share premium. The increase was approved by the NBC on 23 November 2012.
- (ii) On 17 October 2014, the Board of Directors resolved to increase the number of shares from 131,500 shares to 307,500 shares through issuance of an additional 176,000 shares at US\$13.267 each. The excess of US\$3.267 per share over par value was recognised as share premium. The increase was approved by the NBC on 30 March 2015.

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Notes to the financial statements (continued) for the year ended 31 December 2022

17. Share capital and share premium (continued)

B. Share premium (continued)

- (iii) On 16 December 2016, the Board of Directors resolved to increase the number of share capital from 307,500 shares to 509,529 shares through issuance of an additional 202,029 shares, of which 159,029 shares were at US\$14.16 each and 42,761 shares at US\$14.20 each. The excess of US\$4.16 and US\$4.20 per share, respectively, over par value was recognised as share premium. The increase was approved by the NBC on 23 December 2016.

18. Regulatory reserves

Regulatory reserves represented the variance of provision between loans impairment in accordance with CIFRS for SMEs and regulatory provision in accordance with National Bank of Cambodia.

As at 31 December 2022, the Company transferred from retained earnings to regulatory reserves of US\$290,629 (31 December 2021: transferred from regulatory reserves to retained earnings of US\$149,685).

	Balances with banks and financial institutions US\$	Loans to customers US\$	US\$	Total KHR'000 (Note 5)
31 December 2022				
Allowance per NBC	10,598	1,070,606	1,081,204	4,451,317
Allowance per CIFRS for SMEs	-	(757,078)	(757,078)	(3,116,890)
Currency translation differences	-	-	-	(16,379)
Regulatory reserves (A)	<u>10,598</u>	<u>313,528</u>	<u>324,126</u>	<u>1,318,048</u>
31 December 2021				
Allowance per NBC	33,497	408,269	33,497	136,467
Allowance per CIFRS for SMEs	-	(434,489)	-	-
Currency translation differences	-	-	-	(6,220)
Regulatory reserves (B)	<u>33,497</u>	<u>-</u>	<u>33,497</u>	<u>130,247</u>
Transfer from retained earnings to regulatory reserves (A) – (B)			<u>290,629</u>	<u>1,187,801</u>

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Notes to the financial statements (continued) for the year ended 31 December 2022

19. Revenue reserves

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

20. Minimum tax/income tax

A. Applicable tax rates

In accordance with Cambodian Law on Taxation, the Company has an obligation to pay corporate income tax of either the tax on income at the rate of 20% of taxable income or the minimum tax at 1% of annual turnover, whichever is higher.

According to Prakas 638 issued on 4 July 2017, an entity is eligible to be exempted from payment of minimum tax if it maintained proper accounting records and obtained approval from the General Department of Taxation ("GDT").

B. Minimum tax/income tax expense

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Income tax expense	-	-	75,493	307,105
Deferred tax expense/(income)	1,741	7,116	(46,987)	(191,143)
Total income tax expense	<u>1,741</u>	<u>7,116</u>	<u>28,506</u>	<u>115,962</u>
Minimum tax expense	<u>49,948</u>	<u>204,137</u>	<u>-</u>	<u>-</u>

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

20. Minimum tax/income tax (continued)

B. Minimum tax/income tax expense (continued)

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

	2022			2021		
	US\$	KHR'000 (Note 5)	%	US\$	KHR'000 (Note 5)	%
Profit before income tax	<u>91,442</u>	<u>373,724</u>		<u>143,833</u>	<u>585,112</u>	
Income tax using statutory rate at 20%	18,288	74,743	20%	28,767	117,022	20%
Non-deductible expenses	2,485	10,156	3%	1,251	5,091	1%
Effect of minimum tax expense reclassification	(19,032)	(77,783)	-21%	-	-	-
Deferred tax not recognised in previous years	-	-	-	(1,512)	(6,151)	-1%
Income tax expense	<u>1,741</u>	<u>7,116</u>	<u>2%</u>	<u>28,506</u>	<u>115,962</u>	<u>20%</u>
Minimum tax expense	<u>49,948</u>	<u>204,137</u>		<u>-</u>	<u>-</u>	

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

C. Minimum tax/current income tax liability

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	36,690	149,475	101,518	410,640
Recognised in profit or loss	49,948	204,137	75,493	307,105
Minimum/Income tax paid	(81,620)	(333,581)	(140,321)	(570,826)
Currency translation differences	-	628	-	2,556
At 31 December	<u>5,018</u>	<u>20,659</u>	<u>36,690</u>	<u>149,475</u>

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Notes to the financial statements (continued) for the year ended 31 December 2022

20. Minimum tax/income tax (continued)

D. Deferred tax assets, net

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Deferred tax assets	113,641	467,860	116,002	472,597
Deferred tax liabilities	<u>(5,631)</u>	<u>(23,183)</u>	<u>(6,251)</u>	<u>(25,471)</u>
Deferred tax assets, net	<u>108,010</u>	<u>444,677</u>	<u>109,751</u>	<u>447,126</u>

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

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Impairment loss allowance	9,991	41,133	51,033	207,908
Accelerated depreciation of property and equipment and intangible assets	<u>(5,631)</u>	<u>(23,183)</u>	<u>(4,855)</u>	<u>(19,779)</u>
Unamortised borrowing provision fee	2,466	10,153	(834)	(3,398)
Employee benefits obligation	10,368	42,685	12,586	51,275
Unearned loan processing fee	79,970	329,236	50,636	206,292
Other	<u>10,846</u>	<u>44,653</u>	<u>1,185</u>	<u>4,828</u>
	<u>108,010</u>	<u>444,677</u>	<u>109,751</u>	<u>447,126</u>

Movement of net deferred tax assets is as follows:

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	109,751	447,126	62,764	253,880
(Reversed)/recognised in profit or loss	<u>(1,741)</u>	<u>(7,116)</u>	<u>46,987</u>	<u>191,143</u>
Currency translation differences	-	4,667	-	2,103
At 31 December	<u>108,010</u>	<u>444,677</u>	<u>109,751</u>	<u>447,126</u>

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

21. Interest income

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Loans to customers	4,564,695	18,655,908	3,800,680	15,461,166
Deposits and placements with banks	<u>7,162</u>	<u>29,272</u>	<u>7,442</u>	<u>30,274</u>
	<u>4,571,857</u>	<u>18,685,180</u>	<u>3,808,122</u>	<u>15,491,440</u>

22. Interest expense

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Borrowings	<u>1,339,683</u>	<u>5,475,284</u>	<u>1,057,901</u>	<u>4,303,541</u>

23. Fee and commission income, net

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Fee and commission income				
Loan collection fees	161,795	661,256	23,441	95,358
Commission fee on CBC	<u>21,937</u>	<u>89,657</u>	<u>11,793</u>	<u>47,974</u>
	183,732	750,913	35,234	143,332
Fee and commission expense				
Borrowing processing fees	<u>(4,845)</u>	<u>(19,802)</u>	<u>(11,676)</u>	<u>(47,498)</u>
	<u>178,887</u>	<u>731,111</u>	<u>23,558</u>	<u>95,834</u>

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Notes to the financial statements (continued) for the year ended 31 December 2022

24. Other income

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5) <i>(Restated)</i>
Finance charges	101,054	413,008	74,167	301,711
Dividends income from CBC	7,830	32,001	7,765	31,588
Others	43,235	176,701	10,776	43,837
	<u>152,119</u>	<u>621,710</u>	<u>92,708</u>	<u>377,136</u>

25. Personnel expenses

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5) <i>(Restated)</i>
Salaries and bonus	1,879,636	7,682,072	1,499,206	6,098,771
Seniority benefits	104,941	428,894	81,436	331,282
Pension fund	12,410	50,720	42,858	174,346
Insurance	39,570	161,723	30,121	122,532
Employee training	2,995	12,241	12,591	51,220
Staff material and incidental travel	12,461	50,928	11,036	44,895
Others	13,995	57,197	15,240	61,996
	<u>2,066,008</u>	<u>8,443,775</u>	<u>1,692,488</u>	<u>6,885,042</u>

26. Depreciation and amortisation

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Depreciation	51,262	209,508	48,612	197,754
Amortisation	14,575	59,568	8,580	34,903
	<u>65,837</u>	<u>269,076</u>	<u>57,192</u>	<u>232,657</u>

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Notes to the financial statements (continued) for the year ended 31 December 2022

27. Operating expenses

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5) <i>(Restated)</i>
Rental expenses	290,238	1,186,203	226,218	920,255
Management advisory fee (Note 28B)	193,256	789,838	99,870	406,271
Professional fees	25,268	103,270	26,548	107,997
Communication expenses	27,177	111,072	21,776	88,585
Bank charges	21,948	89,701	7,972	32,430
Business meals and entertainment	16,320	66,700	9,505	38,666
Repairs and maintenance	16,140	65,964	15,284	62,175
Utilities	15,497	63,336	11,975	48,714
License fees	14,560	59,507	9,901	40,277
Marketing and advertising	13,247	54,140	8,088	32,902
Stationery and supplies	13,244	54,128	13,381	54,434
Security and cleaning services	6,620	27,056	6,635	26,991
Membership	6,551	26,774	14,384	58,514
Motor vehicle operating expense	4,724	19,307	2,302	9,365
Withholding tax	3,454	14,116	9,157	37,251
Others	221,074	903,531	93,613	380,818
	<u>889,318</u>	<u>3,634,643</u>	<u>576,609</u>	<u>2,345,645</u>

28. Related parties

A. Identity of related parties

The related parties of, and their relationship with the Company are as follows:

Relationship	Related party
Shareholders	Refer to Note 17
Key management personnel	All management of the Company who make critical decisions in relation to the strategic direction of the Company and senior management staff (including their close family members).

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Notes to the financial statements (continued) for the year ended 31 December 2022

28. Related parties (continued)

B. Transactions with related parties

	2022		2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Gojo & Company, Inc.				
Management advisory fees (Note 27) (*)	193,256	789,838	99,870	406,271
Proceeds from borrowings	-	-	5,000,000	20,340,000
Repayment of borrowings	(3,000,000)	(12,261,000)	(5,000,000)	(20,340,000)
Interest expenses	512,795	2,095,791	556,178	2,262,532
Interest paid	<u>(512,795)</u>	<u>(2,095,791)</u>	<u>(556,178)</u>	<u>(2,262,532)</u>
Key management personnel				
Salaries, bonus and other benefits	<u>514,800</u>	<u>2,103,986</u>	<u>456,901</u>	<u>1,858,673</u>

(*) This pertains to management advisory fee for loan management from Gojo & Company, Inc. with term of 36 months started from 1 February 2018 and will be renewed automatically for 36 months after maturity date. The fee is charged based on rate at 0.06% and 0.08% on monthly loan outstanding to customers.

C. Balances with related parties

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Gojo & Company, Inc.				
Other assets	5,500	22,644	3,250	13,241
Interest payable	-	-	131,661	535,397
Accrued management advisory fees	15,754	64,859	41,072	167,327
Borrowings (Note 14)	<u>6,000,000</u>	<u>24,702,000</u>	<u>10,000,000</u>	<u>40,740,000</u>

Borrowings from shareholder are unsecured and bear interest rate at 5.70% (2021: 6.00%) per annum. Interest expense was paid monthly in arrears.

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Notes to the financial statements (continued) for the year ended 31 December 2022

29. Cash and cash equivalents

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Cash on hand	24,053	99,026	26,435	107,696
Balances with banks and financial institutions (maturity of three months or less)	1,059,846	4,363,386	3,356,982	13,676,345
Balances with the National Bank of Cambodia (maturity of three months or less)	<u>2,235,647</u>	<u>9,204,158</u>	<u>1,060,852</u>	<u>4,321,911</u>
	<u>3,319,546</u>	<u>13,666,570</u>	<u>4,444,269</u>	<u>18,105,952</u>

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

30. Classification of financial assets and financial liabilities

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 December 2022	FVTPL US\$	FVOCI US\$	Amortised cost US\$	Cost less impairment US\$	Total carrying amount	
					US\$	KHR'000 (Note 5)
Financial assets						
Cash on hand	-	-	24,053	-	24,053	99,026
Balances with banks and financial institutions	-	-	1,059,846	-	1,059,846	4,363,386
Balances with the National Bank of Cambodia	-	-	2,235,647	-	2,235,647	9,204,159
Loans to customers-gross	-	-	31,161,257	-	31,161,257	128,290,895
Equity investment	-	-	-	10,000	10,000	41,170
Other assets	-	-	43,872	-	43,872	180,621
Total financial assets	-	-	34,524,675	10,000	34,524,675	142,179,257
Financial liabilities						
Borrowings	-	-	25,292,973	-	25,292,973	104,131,170
Other assets	-	-	195,903	-	195,903	806,533
Total financial liabilities	-	-	25,488,876	-	25,488,876	104,937,703

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Notes to the financial statements (continued) for the year ended 31 December 2022

30. Classification of financial assets and financial liabilities (continued)

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments. (continued)

31 December 2021	FVTPL US\$	FVOCI US\$	Amortised cost US\$	Cost less impairment US\$	Total carrying amount	
					US\$	KHR'000 (Note 5)
Financial assets						
Cash on hand	-	-	26,435	-	26,435	107,696
Balances with banks and financial institutions	-	-	3,356,982	-	3,356,982	13,676,345
Balances with the National Bank of Cambodia	-	-	1,060,852	-	1,060,852	4,321,911
Loans to customers	-	-	21,506,535	-	21,506,535	87,617,624
Equity investment	-	-	-	10,000	10,000	40,740
Other assets	-	-	48,852	-	48,852	199,023
Total financial assets	-	-	25,999,656	10,000	26,009,656	105,963,339
Financial liabilities						
Borrowings	-	-	16,851,974	-	16,851,974	68,654,942
Other liabilities	-	-	203,785	-	203,785	830,220
Total financial liabilities	-	-	17,055,759	-	17,055,759	69,485,162

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

31. Commitments and contingencies

A. Lease commitments

The Company has commitments for the lease of its Head office and branch offices under an operating lease arrangement, with future minimum lease amounts due as follows:

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Within 1 year	122,984	502,636	40,106	163,151
1 to 5 years	142,089	580,718	18,889	76,840
	<u>265,073</u>	<u>1,083,354</u>	<u>58,995</u>	<u>239,991</u>

B. Taxation contingencies

On 24 May 2021, the General Department of Taxation (“GDT”) issued a Notice of Tax Reassessment (“NTR”) on the comprehensive tax audit for the period from 1 January 2016 to 31 December 2017, imposing additional tax including penalty and interest of KHR36,439,652 equivalent to US\$8,851.

On 1 June 2021, the Company lodged an administrative protest letter to object the comprehensive tax audit case above to justify the ground on the calculation basis in NTR in accordance with the Cambodian Law on Taxation.

As of to date, there has not been any official response from the GDT and management have considered that the tax assessment exposure will not give rise to any significant loss to the Company in the future.

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

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

32. Prior year restatements

During the preparation of the financial statements for the year ended 31 December 2022, the Company's management has identified errors in the prior year's financial statements relating to the following:

- A. Wrong classification between amount due to shareholder, borrowings and other liabilities;
- B. Wrong recording between management advisory fee and personnel expenses; and
- C. Overstatement of gain/(loss) on foreign exchange difference

The details of the restatements are as follow:

A. Amount due to shareholder, borrowings and other liabilities

- As at 31 December 2021, the Company had overstated amount due to shareholder and other liabilities amounting to US\$10,000,000 and US\$98,743, respectively and understated on borrowings amounting to US\$10,098,743.
- As at 1 January 2021, the Company had overstated amount due to shareholder and other liabilities amounting to US\$10,000,000 and US\$165,608, respectively and understated on borrowings amounting to US\$10,165,608.

B. Management advisory fee and personnel expenses

In 2021, the Company had booked part of management advisory fee amounting to US\$91,378 to personnel expenses. Based on the agreement, this amount should be recorded as management advisory fee under operating expenses. As result, personnel expenses were overstated and management advisory fee was understated US\$91,378 in the statement of comprehensive income for the year ended 31 December 2021.

C. Foreign exchange gain/(loss)

The Company recorded separately the foreign exchange gain under other income and foreign exchange loss under operating expenses instead of recording it as the net of between foreign exchange gain/(loss) in the statement of comprehensive income. In 2021, there were the foreign exchange losses of US\$84,353 and foreign exchange gains of US\$75,617 were presented separately in the statement of comprehensive income. As a result, there is an overstatement other income of US\$75,617 and operating expense of US\$84,353 in the statement of comprehensive income for the year ended 31 December 2021.

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

32. Prior year restatements (continued)

A summary of the line items affected by the restatement of the comparative information are as follows:

Statement of financial position

		1 January 2021			31 December 2021		
		As previously reported US\$	Adjustments US\$	As reclassified US\$	As previously reported US\$	Adjustments US\$	As reclassified US\$
Borrowings	A	5,027,572	10,098,743	15,126,315	6,628,170	10,165,608	16,793,778
Amounts due to shareholder	A	10,000,000	(10,000,000)	-	10,000,000	(10,000,000)	-
Other liabilities	A	428,288	(98,743)	329,545	565,885	(165,608)	400,277

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

32. Prior year restatements (continued)

Statement of comprehensive income

	Year ended 31 December 2021		
	As previously reported US\$	Adjustments US\$	As reclassified US\$
Other income	168,325	(75,617)	92,708
Foreign exchange loss	-	8,736	8,736
Personnel expenses	1,783,866	(91,378)	1,692,488
Operating expenses	<u>569,584</u>	<u>7,025</u>	<u>576,609</u>

33. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, unless otherwise indicated.

A. Foreign currency transactions

Transactions in currencies other than US\$ are translated into US\$ at the exchange rate ruling at the dates of the transactions.

Monetary assets and liabilities denominated in currencies other than US\$ at the reporting date are translated into US\$ at the rates of exchange ruling at that date. Non-monetary items that are measured in terms of historical cost in other currency are translated using the exchange rates as at the respective dates of the initial transactions. Foreign currency differences are generally recognised in profit or loss. However, foreign currency differences arising from the translation of equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI are recognised in OCI.

B. Financial instruments

(i). Recognition

The Company initially recognises a financial asset or a financial liability when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

33. Significant accounting policies (continued)

B. Financial instruments (continued)

(ii). *Classification*

The Company classifies its financial assets and liabilities as basic financial instruments in accordance with Section 11 *Basic Financial Instruments*.

(iii). *Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or settled, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iv). *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v). *Amortised cost measurement*

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi). *Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

33. Significant accounting policies (continued)

B. Financial instruments (continued)

(vi). *Fair value measurement (continued)*

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii). *Identification and measurement of impairment*

Objective evidence of impairment

At each reporting date, the Company assesses whether there is objective evidence that financial assets that are measured at cost or amortised cost. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets and that the loss event has an impact on the future cash flows of the assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

33. Significant accounting policies (continued)

B. Financial instruments (continued)

(vii). Identification and measurement of impairment (continued)

Individual and collective assessment

All individually significant assets are individually assessed for impairment.

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment, and found to be individually impaired, and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the management.

A collective component of the total allowance is established for:

- groups of homogeneous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.

The collective allowance for groups of homogeneous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience.

In assessing the collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

Measurement

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

33. Significant accounting policies (continued)

B. Financial instruments (continued)

(vii). Identification and measurement of impairment (continued)

Reversal of impairment and write offs

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the entity shall reverse the previously recognised impairment loss either directly or by adjusting an allowance account.

The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognised. The entity shall recognise the amount of the reversal in profit or loss immediately.

The Company writes off a loan, either partially or in full, and any related allowance for impairment losses, when the management determines that there is no realistic prospect of recovery.

C. Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with original 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, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost using the effective interest method in the statement of financial position.

D. Balances with banks and financial institutions

Placements with banks are carried at amortised cost using the effective interest method in the statement of financial position.

E. Statutory deposits

Statutory deposits represent capital guarantee deposits maintained with the National Bank of Cambodia (“NBC”) in compliance with the Law on Banking and Financial Institutions (“LBF”) and are determined by defined percentages of minimum share capital as required by the NBC. Statutory deposits are not available to finance the Company's day-to-day operations hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

Statutory deposits are carried at amortised cost using the effective interest method in the statement of financial position.

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

33. Significant accounting policies (continued)

F. Loans to customers

Loans to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

Loans to customers are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

G Equity investment

Equity investment is accounted for at cost less any accumulated impairment loss. Dividend income from equity investment is recognised when the Company's right to receive payment has been established and recorded in other operating income.

H. Other assets

Other assets are carried at amortised cost using the effective interest method in the statement of financial position.

I. Property and equipment

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.

Depreciation of property and equipment is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets as follows:

	Useful life
Leasehold improvements	2 to 10 years
Office equipment	4 years
Computer and IT equipment	4 years
Furniture and fixtures	4 years
Motor vehicles	4 years

Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

33. Significant accounting policies (continued)

I. Property and equipment (continued)

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.

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 profit or loss on the date of retirement or disposal.

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

J. Intangible assets

Intangible assets comprise of computer software is measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible asset is amortised on the straight-line method over 5 years.

Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

K. Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets (other than deferred tax 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").

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

33. Significant accounting policies (continued)

K. Impairment of non-financial assets (continued)

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 profit or loss.

L. Share capital and share premium

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments. Amounts received above the nominal is recorded as a share premium.

M. Regulatory reserves

Regulatory reserves are set up for the variance of provision between loan impairment in accordance with CIFRS for SMEs and regulatory provision in accordance with National Bank of Cambodia's Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on Credit Risk Classification and Provision on Impairment for Banks and Financial Institutions.

Based on these NBC Guidelines, all loans to customers are classified according to the repayment capacity of the counterparty and the number of days past due is taken into account as follows:

Classification	Number of days past due	Allowance
Short-term loans (less than or equal one year):		
Normal/standard	<15 days	1%
Special mention	15 days – 30 days	3%
Substandard	31 days – 60 days	20%
Doubtful	61 days – 90 days	50%
Loss	≥ 91 days	100%
Long-term loans (more than one year):		
Normal/standard	<30 days	1%
Special mention	≥ 30 days – 89 days	3%
Substandard	≥ 90 days – 179 days	20%
Doubtful	≥ 180 days – 359 days	50%
Loss	More than 359 days	100%

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

33. Significant accounting policies (continued)

M. Regulatory reserves (continued)

In accordance with the Prakas, the entity shall compare the provision calculated in accordance with above requirements and the Company's record which is under CIFRS for SMEs:

- (i) If the regulatory provision is lower, the entity records the provision calculated in accordance with CIFRS for SMEs; and
- (ii) If the regulatory provision is higher, the entity records the provision calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings into regulatory reserve in equity accounts.

The regulatory reserves are not an item to be included in the calculation of the Company's net worth.

N. Borrowings and other liabilities

Borrowings and other liabilities are carried at amortised cost using the effective interest method in the statement of financial position.

O. Provisions

Provisions are recognised in the statement of financial position 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. The unwinding of the discount is recognised as finance cost.

P. Employee benefits

(i). *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii). *Defined contribution plans/Pension fund*

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

33. Significant accounting policies (continued)

P. Employee benefits (continued)

(iii). *Other long-term employee benefits*

The Company's net obligation in respect of long-term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods, including seniority payment. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Q. Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

R. Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

33. Significant accounting policies (continued)

S. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

T. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

(i). *Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii). *Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Maxima Microfinance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2022

33. Significant accounting policies (continued)

T. Income tax (continued)

(ii). *Deferred tax (continued)*

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.