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## VISION AND MISSION

*MAXIMA's vision is to bring together people and business to build a better community by providing adequate loans and the best financial service to low income clients in individuals, groups and SMEs in particular women-head businesses and mobilizing compulsory savings among its clients.*

*The common mission is to bring MAXIMA to succeed in creating outstanding growth and shareholder wealth, managing the business in the long term best interest of stakeholders with respect to the good governance and social responsibility.*

## GENERAL INFORMATION

|  |  |
|--|--|
| Name of MFI  | <b><i>MAXIMA MIKROHERANHVATHO CO., LTD</i></b>   |
| Country  | <i>Cambodia</i>  |
| Established in (year)                              | <i>March 8, 2000</i>   |
| Current legal status                               | <i>Microfinance NGO in the process of transformation to licensed microfinance institution (MFI)</i>  |
| Products   | <ul style="list-style-type: none"><li>◆ <i>Rural &amp; SMEs Loans</i></li><li>◆ <i>Compulsory Savings</i></li></ul>  |
| Percentage of operations comprised by microfinance | <i>100%</i>  |
| Other services provided                            | <i>Trainings, other projects</i>   |
| Main Funding Sources                               | <i>Paid-up capital, contribution of owner &amp; employees, loans from private &amp; national and international financial institutions and compulsory savings among its clients</i> |
| Address  | <i># 68, St. 125, Sangkat Veal Vong<br/>Khan 7 Makara, Phnom Penh</i>  |
| Phone<br>Mobile                                    | <i>(855) 23 214 240<br/>(855) 12 424 277/ 12 922 322/ 12 988 886/<br/>12 960 698/ 16 866 566</i>   |
| Fax  | <i>(855) 23 354 240</i>  |
| Email  | <i><a href="mailto:maximacredit@yahoo.com">maximacredit@yahoo.com</a> /<a href="mailto:maximacredit@gmail.com">maximacredit@gmail.com</a></i>                                      |
| Website  | <i><a href="http://www.maxima.com.kh">http://www.maxima.com.kh</a></i>   |
| Networks   | <i>N/A</i>   |

## **CHAIRMAN/ CEO'S OVERVIEW**

For the first six months of 2005 has been an important year for MAXIMA MIKROHERANHVATHO CO., LTD (MAXIMA Organization for Household Economic Development) with the considerable progress made in developing the Company to meet its outstanding growth.

### ***Satisfactory Achievements***

In order to achieve the expansion of business activities, cost reduction and increase the profitability for the Company, MAXIMA has established a strong communication with many national and international financial institutions as well as investors from private individuals who will bring more funds for MAXIMA to grow its business. For this first six month, MAXIMA has been improving its performance by expanding rural credit program to many other new operating areas in Kankal province. At the same time, MAXIMA increases \$100,000.00 in capital for supporting its business activities by collecting funds from RDB.

In addition, significant progress in discussion on the projects for Rural Electrification and Rural Energy Efficiency which have being supported by the World Bank, UNDP and GVEP was achieved during the year. A number of projects will be considered for final investment decisions during 2005 or 2006. These key projects are expected to provide the planned-for growth in credit activities for 2005 and will considerably broaden the Company's rural credit programs and revenue base.

During this period, the external audit for Financial Statement for Period Covering from for 01 January to 30 April in 2005 was conducted by the Angkor Certified Account. MAXIMA has been submitting all required documents to the National Bank of Cambodia for obtaining the full license as Microfinance Institution (MFI), which will expect to be granted in August 2005. The National Bank of Cambodia already inspected and studied all related documents following by visiting some fields where MAXIMA is operating its rural credit programs.

### ***Financial Results***

Revenues for the first six months in 2005 were \$43,113.65 (compared with \$29,414.38 in 2004 for the same period) with the loan outstanding of \$265,983.15 (\$149,795.00 in 2004). The net profit after tax for the half-year period was \$18,803.06 (\$12,427.89 in 2004 for the same period). Return on shareholders' equity was 10.07% and the Company's net debt at the first six month of 2005 was \$88,417.00. The dividend per share (\$10.00 per share) was 102 cents. However, MAXIMA does not pay the dividend for the half year period and it will be paid on 05 January 2006 and the dividend per share will be increased at the same time.

### ***Governance***

During this period, the Company undertook a review of its governance practices. The review established that MAXIMA already substantially complied with the Principles of Good Governance and Social Responsibility. The Company has also taken the opportunity to expand and improve a number of its existing policies and practices such as The Board Charter, Management Charter, Employee Manual and Credit policy. In addition, the role and the responsibility of the Board and Management were created.

The organizational structure of the Company is changing in order to effectively perform and achieve its long term business strategy. During the year, Chairman and Vice-Chairman are also serving as CEO and Vice-CEO. On behalf of shareholders and the Board of Directors, I would like to thank management team and all staff of MAXIMA and its clients for their valuable and major contribution to the development of the Company during the year, in particular, for the ongoing focus and commitment to the improvement in rural credit program and general performance.

**UONG Kimseng**  
Chairman/ CEO  
30 June 2005

## **COMPANY OVERVIEW**

**MAXIMA** was founded in early 2000 with the initial objective and mission of providing adequate and quality loans and financial services to low income clients in individuals, groups, SMEs in particular women-head businesses. To provide sustainable access to credit for its clients and focus its efforts on those individuals living in rural areas and those who will use the capital to start a new business or expand the existing one in order to increase their income of the household. **MAXIMA** also extends to mobilize compulsory saving activities among its clients and help to build the capacity to manage money for business, creating job and their own livelihoods as well as attract people remain living in the rural areas rather than come to seek for job in the city.

In order to qualify for a loan, people who take the loans are limited by the value of their fixed assets in the business, the income per household member and the numbers of employees in their businesses. **MAXIMA** offer its loans throughout the country by evaluating only their business potential with actual planning without consideration to their ethnic, religious background, and political status and gender.

**MAXIMA** registered and was granted as Microfinance operator with the National Bank of Cambodia (NBC) under No. 024 dated from 17-May-2002 to 17-May-2005. As Microfinance operator, **MAXIMA** attract investors with different types of motivations and expectations of rewards. Therefore, special equity funds have been established in order to create a mechanism for investors to have representation on the general meeting as well as on the board. Recently, **MAXIMA** has been submitting all required documents to NBC for obtaining full-license as Microfinance Institution Operators (MFI), which will expect to be granted within August 2005 with the official name **MAXIMA MIKROHERANHVATHO CO., LTD.**

Since the beginning of micro credit program in 2000, **MAXIMA** has recorded strong growth in assets and profits. In June 2005, **MAXIMA** has employed 14 full-time staff together with the management team of 05 people. **MAXIMA** has 13 shareholders on its register in the Company including 08 employees.

## **PERFORMANCE SUMMARY**

With projected outstanding loans growth up to \$865,000.00 in its third years (2007), **MAXIMA** business will generate a net profit after tax of 14 percent every year. Given this return, the company is an attractive investment opportunity. In this year of 2005, **MAXIMA** requires additional funds with a total amount of \$130,000.00, which will be allocated into two stages to expand its business activities:

- The first stage requires \$50,000.00 for expansion loan target areas along the Mekong River within Cambodia. Launch the pilot project in Koh Dach, Mok Kampoul district, Kandal province in order to mobilize compulsory saving depositing from its clients. (this amount **MAXIMA** has already borrowed from the Rural Development Bank)
- The second stage expand three more operation areas in Khsach Kandal and Ponhea Loeu districts so that it can obtain higher profit, this will require more \$80,000.00 (\$50,000.00

was loaned by RDB). The remaining \$30,000.00 will be collected from private partners or investors.

In order to obtain its additional capital requirements, the company has already relinquished 66 percent equity since the beginning of its micro credit programs to the end of 2004. Recently, MAXIMA has prepared its primary accounting system, effective guidance and critical analysis of management plans for successfully achieving its vision and mission. In the first semester of 2005, the micro credit operation areas are in place for 75 villages with the total loan outstanding of **\$265,543.15**. In this early 2005 loan operations, MAXIMA is funded by \$180,000.00 from the board of directors, \$100,000 from RDB and the amount of \$26,000.00 has been received from its staff and other private individual persons.

The satisfactory achievements of the year 2004 have created zeal among the staff of MAXIMA to bring more successes in this 2005. The plan for 2005 includes a target for growing business activities through increasing loan portfolio and gathering more capital. In these sense, MAXIMA is looking for partnership to increase business activities and also is going to issue more share for its staff, collect funds from other institutions and investments in order to increase its capital up to US\$200,000.00 for the year 2005. In the 2005-07 strategic plan MAXIMA will collect more capital with the amount of US\$200,000.00 so that in 2007 the capital will be increased up to US\$400,000.00. In the mean time, with this total capital MAXIMA is going to increase loan portfolio up to US\$865,000.00 in 2007.

In addition, for long term investment, the company is confident to provide high rate on return because MAXIMA has proven to lower cost and showed good performance.

## FINANCIAL INFORMATION (2000-JUN 2005)

| <b>FINANCIAL HIGHLIGHTS 2000-Jun 30, 2005</b>                 | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b>  | <b>30-Jun-05</b> |
|---|-------------|-------------|-------------|-------------|--------------|------------------|
| <b>Total Assets</b>   | 74,949.80   | 87,398.37   | 101,114.63  | 119,604.10  | 217,731.46   | 293,964.78       |
| <b>Total Outstanding Loan</b>                                 | 57,829.00   | 78,276.56   | 89,948.08   | 100,908.90  | 211,688.25   | 265,543.15       |
| <b>Total Liabilities</b>                                      | 1,559.20    | 21,783.72   | 22,490.00   | 23,401.00   | 24,607.00    | 88,417.00        |
| <b>Issued &amp; Paid-up Capital and Premuim Share Capital</b> | 70,000.00   | 52,500.00   | 60,600.00   | 60,600.00   | 171,500.00   | 183,630.00       |
| <b>Shareholders' Equity</b>                                   | 73,390.60   | 65,614.65   | 78,624.63   | 96,203.10   | 193,124.46   | 205,547.78       |
| <b>Total Income</b>   | 6,132.11    | 35,452.80   | 39,953.80   | 46,686.52   | 62,475.06    | 43,113.65        |
| <b>Profit Before Tax</b>                                      | 3,390.60    | 12,945.12   | 17,207.98   | 17,578.47   | 29,174.99    | 18,803.06        |
| <b>Net Profit After Tax</b>                                   | 3,390.60    | 12,945.12   | 17,207.98   | 17,578.47   | 29,174.99    | 18,803.06        |
| <b>Earning Per Share (EPS) - cents</b>                        | 48.00       | 247.00      | 284.00      | 228.00      | 168.00       | 102.00           |
| <b>Dividend Per Share (DPS)</b>                               | -           | -           | -           | 228.00      | 76.00        | -                |
| <b>PERFORMANCE INDICATORS 2000-Jun 30, 2005</b>               | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b>  | <b>30-Jun-05</b> |
| <b>Loans disbursed since inception</b>                        | 111,233.59  | 420,061.49  | 743,859.38  | 995,948.56  | 1,651,121.21 | 1,985,764.31     |
| <b>Current average loan size disbursed</b>                    | 257.02      | 202.79      | 186.51      | 180.80      | 200.46       | 253.38           |
| <b>Number of loans disbursed since inception</b>              | 225.00      | 611.00      | 1,081.00    | 1,611.00    | 2,667.00     | 3,291.00         |
| <b>Number of Employees</b>                                    | 5.00        | 7.00        | 8.00        | 8.00        | 12.00        | 19.00            |
| <b>Number of loan outstandings</b>                            | 225.00      | 301.00      | 382.00      | 499.00      | 891.00       | 1,048.00         |
| <b>Return on Equity (ROE)</b>                                 | 4.6%        | 19.73%      | 21.89%      | 18.27%      | 15.11%       | 10.07%           |
| <b>Return on Performing Assets (ROA)</b>                      | 4.52%       | 14.81%      | 17.02%      | 14.70%      | 13.40%       | 6.40%            |

| <b>BALANCE SHEET 2000-Jun 30, 2005</b>            | <b>2000</b>      | <b>2001</b>      | <b>2002</b>       | <b>2003</b>       | <b>2004</b>       | <b>30-Jun-05</b>  |
|---|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| <b>ASSETS</b>                                     |                  |                  |                   |                   |                   |                   |
| Cash on Hand                                      | 224.88           | 1,789.87         | 1,579.17          | 2,986.59          | 1,309.45          | 10,848.54         |
| Balance with Canadia Bank                         | 350.00           | 192.79           | 6,229.57          | 11,288.67         | 103.42            | 114.11            |
| Balance with RDB                                  | -                | -                | -                 | -                 | -                 | 220.85            |
| Employee Advance                                  | -                | 2,780.32         | 363.75            | 993.00            | 500.00            | 440.00            |
| Loans and Advances to Customers                   | 57,829.00        | 78,276.56        | 89,948.08         | 100,908.90        | 211,688.25        | 265,543.15        |
| Total Other Current Assets                        | 13,575.00        | 1,000.00         | -                 | -                 | -                 | 6,450.00          |
| Total Fixed Assets                                | 2,970.92         | 3,358.83         | 2,994.06          | 3,426.94          | 4,130.34          | 10,348.13         |
| <b>TOTAL ASSETS</b>                               | <b>74,949.80</b> | <b>87,398.37</b> | <b>101,114.63</b> | <b>119,604.10</b> | <b>217,731.46</b> | <b>293,964.78</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                  |                  |                   |                   |                   |                   |
| Customer Deposit-Fixed Account                    | 1,559.20         | 21,783.72        | 10,000.00         | 22,333.00         | 24,607.00         | 18,417.00         |
| Loan from Private Finance Institutions            | -                | -                | 12,040.00         | -                 | -                 | -                 |
| Borrowings from RDB                               | -                | -                | -                 | -                 | -                 | 70,000.00         |
| Wage Payable                                      | -                | -                | 450.00            | 1,068.00          | -                 | -                 |
| <b>TOTAL LIABILITIES</b>                          | <b>1,559.20</b>  | <b>21,783.72</b> | <b>22,490.00</b>  | <b>23,401.00</b>  | <b>24,607.00</b>  | <b>88,417.00</b>  |
| <b>SHAREHOLDERS' EQUITY</b>                       |                  |                  |                   |                   |                   |                   |
| Issues and Paid-up Capital                        | 70,000.00        | 52,500.00        | 60,600.00         | 60,600.00         | 171,500.00        | 70,000.00         |
| Additional Paid in Capital                        | -                | -                | -                 | 16,347.58         | 2,600.00          | 3,630.00          |
| Premuim on Share Capital                          | -                | -                | -                 | -                 | -                 | 110,000.00        |
| Hibrid Capital Investment                         | -                | -                | -                 | -                 | -                 | -                 |
| Donated Capital                                   | -                | -                | -                 | -                 | -                 | -                 |
| Retained Earnings - Other Reserves                | -                | 169.53           | 816.65            | 1,677.05          | 3,114.72          | 3,114.72          |
| Retained Earnings                                 | 3,390.60         | 12,945.12        | 17,207.98         | 17,578.47         | 15,909.74         | 18,803.06         |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 | <b>73,390.60</b> | <b>65,614.65</b> | <b>78,624.63</b>  | <b>96,203.10</b>  | <b>193,124.46</b> | <b>205,547.78</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>74,949.80</b> | <b>87,398.37</b> | <b>101,114.63</b> | <b>119,604.10</b> | <b>217,731.46</b> | <b>293,964.78</b> |

## **BOARD AND GOVERNANCE**

The main decision making body in MAXIMA is its board of directors, which comprising 5 to 7 members. According to the Memorandum of Association, the general assembly elects and appoints the board of directors of MAXIMA. The board of directors of MAXIMA appoints the executive directors and auditors.

## **TRUST AND CONFLICTS OF INTEREST**

Governance is a system of checks and balances whereby a board is established to manage the directors. Governance is sometimes conceived as a virtuous/ ethical circle that links shareholders to the board, to the management, to the staff, to the customer, and to the community at large. The board reviews, confirms, and approves the plans and performance of the senior management. Executive Management, on the other hand, is involved in the daily operations of putting the vision into action.

The governance procedures and the actions of the board members should create accountability and enable the shareholders and stakeholders to trust one another. Governance gives shareholders confidence that directors are being supervised. It creates checks to prevent management from serving its own interests. Governance engenders trusts that allow MAXIMA to attract depositors and investors.

One way to create trust in the governance process is to eliminate conflicts of interest. Board members should not receive any personal and clear objectives. It is important that board members do not have political agendas that could influence the direction of MAXIMA.

### **COMPOSITION OF BOARD DIRECTORS**

The board of MAXIMA consists of members who have a diversity of skills, including financial, legal and managerial expertise, to give effective guidance to senior management and to critically analyze management plans and reports. The board was established on 8 March 2000 and conducts all activities in accordance with the MAXIMA STATUE. The board meets at quarterly and annually supervises the work of the Managing Director and approves the annual budget, reviews MAXIMA performance, and approves important documents or changes in MAXIMA activities. The board of directors consists of the following members:

|                                  |                             |               |
|----------------------------------|-----------------------------|---------------|
| <b>1. Mr. UONG Kimseng</b>       | (Dr. Cand. in BA, MBM, BBA) | Chairman      |
| <b>2. Mr. AN Bunhak</b>          | (M. of Banking, BBA)        | Vice-chairman |
| <b>3. Mrs. SRENG Sive Chheng</b> | (BBA/Management)            | Member        |
| <b>4. Mr. PA Ponnak Rithy</b>    | (B. Acc/Finance & Banking)  | Member        |
| <b>5. Mr. CHET Chan Prasoeur</b> | (BBA)                       | Member        |

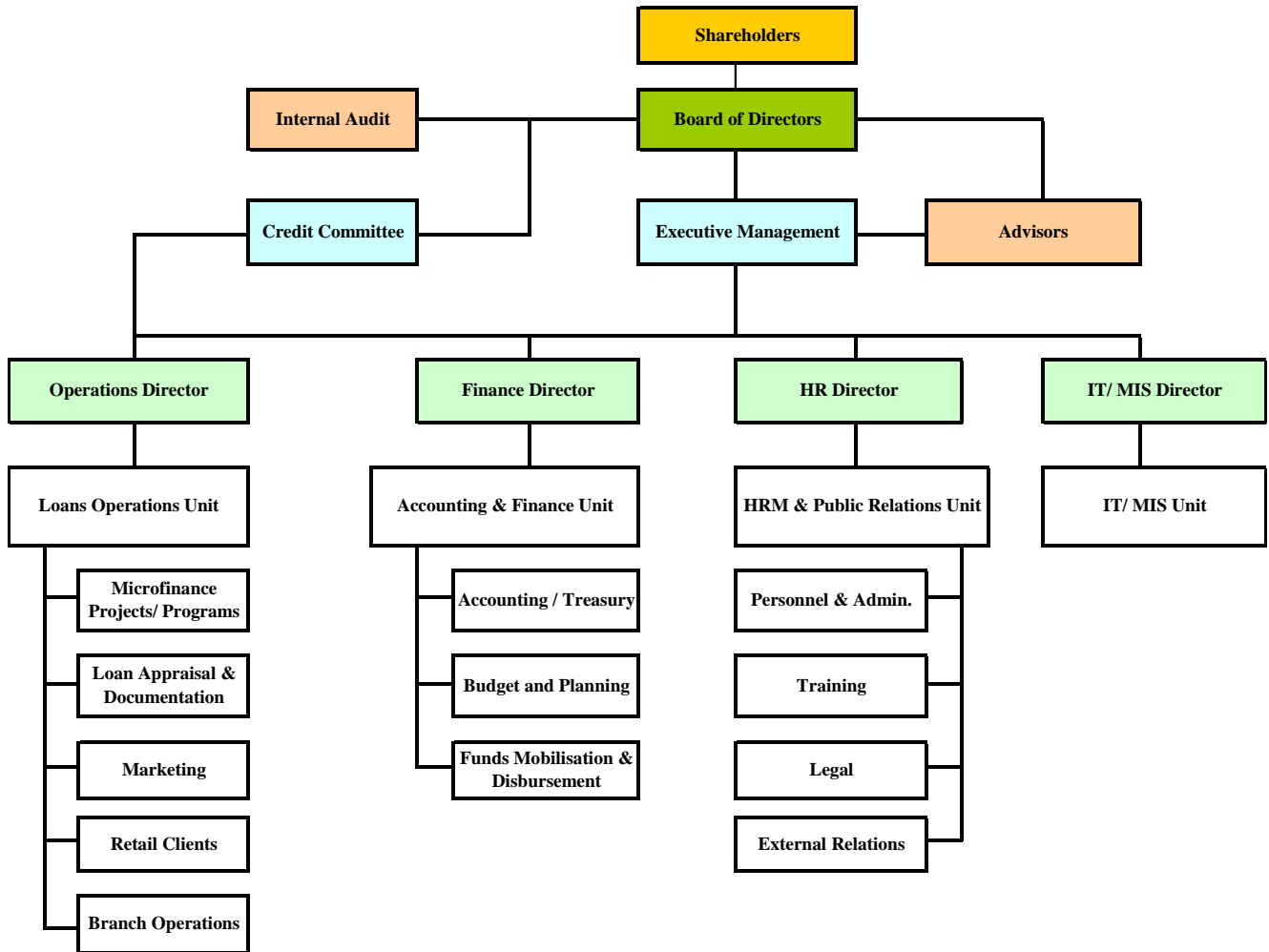
### **BOARD OF DIRECTORS RESPONSIBILITIES**

Board of Directors is responsible for providing stewardship and management oversight of the business and affairs of MAXIMA. The board is responsible for establishing long-term strategic direction, providing direction to executive management and making strategic decisions. The board has the responsibility to safeguard the best interests of all MAXIMA shareholders and other stakeholders. The board serves as a check and balance to provide confidence to the MAXIMA's shareholders, investors, staff, customers, and other key stakeholders that the managers will operate in the best interests of MAXIMA.

The board of directors is accountable to member shareholders for performance in achieving MAXIMA vision, mission and service principles. The board provides an annual report and also reports to member of shareholders through annual and general meetings. The board encourages management to be strong leaders and to make open and appropriate executive decisions. Each year, the board participates in the strategic planning process and approves the strategic direction and business plans. The board also evaluates its performance against approved plans and performance in previous years.

The board delegates the authority for operations to the management through the Managing Director. The board supervises management in the execution of the approved strategic plans and evaluates the performance of management in the context of the goals and time frame outlined in the plans. The board supervises the selection, evaluation and compensation of the senior management team.

**MAXIMA ORGANISATIONAL STRUCTURE**



## RECOMMENDATIONS & CONCLUSION

With the past satisfactory achievements and plan for 2005 includes a target for growing business activities through increasing loan portfolio and gathering more capital, MAXIMA need to improve its implementation and consider the following:

- Business environment in Cambodia are more complex and depend heavily on the still fragile economic structure.
- Continuously political and economical uncertainty could have a negative impact on MAXIMA microfinance program
- Micro-finance programs are still costly

However, MAXIMA experience during the past four years gives it confidence in the ability to handle the situation and the record shows that MAXIMA is growing very fast in particular for the year 2004. MAXIMA assures to all shareholders, its investors and other stakeholders that with the clear vision and mission and future objectives the Board & the Executive Management of MAXIMA are committed to become a really profitable microfinance institution.

For the short term, with the tremendous achievement experienced in the year 2004 MAXIMA will push the organization's present force into the coming year, bringing any required changes and loans to more than 300 new borrowers in the end of year 2005. Especially MAXIMA is going to improve the operating efficiency in order to lower the cost and will be able to significantly increase income. So that within a short period of time MAXIMA became a very successful micro credit provider due to its low cost operation, fast services, direct contact with clients. It has become possible because of some cost-reducing and income-increasing factors learned by MAXIMA through practicing micro finance in 62 villages throughout Kandal province.

Looking for the long term, through a planning process, MAXIMA has set the following clear strategies for growth over the next three years:

1. Still encourage a flexible interest rate structure (declining interest rate calculation) to achieve its objectives of growth and stability.
2. Continually work to improve the loan products and underlying policies and procedures to fast respond to the market.
3. Look for other geographical markets to avoid concentration of excessive credit supply in any geographical area in order to increase loan portfolio.
4. Further improve the monitoring system to evaluate accessibility, efficiency and self-sustainability.
5. Analyze the pricing policy on continual basis and design market responsive loan products to attract better borrowers and build a superior, quality portfolio.
6. Increase more capital by looking for new business partners and investor