

CONTENTS

1- Vision and Mission.....	1
2- Company Overview.....	2
3- Organizational Chart.....	3
4- Governance.....	3
o Board of Directors.....	3
o Executive Management.....	6
5- Credit Committee.....	7
6- Internal Audit.....	7
7- Products and Services.....	8
8- Most Important Events 2005.....	8
9- Shareholders/ Funding Sources.....	9
10-Financial Information (2001- 2005).....	10
11-Future Perspective/ Expansion Plans.....	17

1- MAXIMA VISION & MISSION

VISION

MAXIMA's vision is to bring together people and businesses to build a better community through providing adequate loans and the best financial service to low income clients in individuals, groups and small & medium enterprises (SMEs), in particular women-headed households and mobilizing savings among its clients.

MISSION

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.

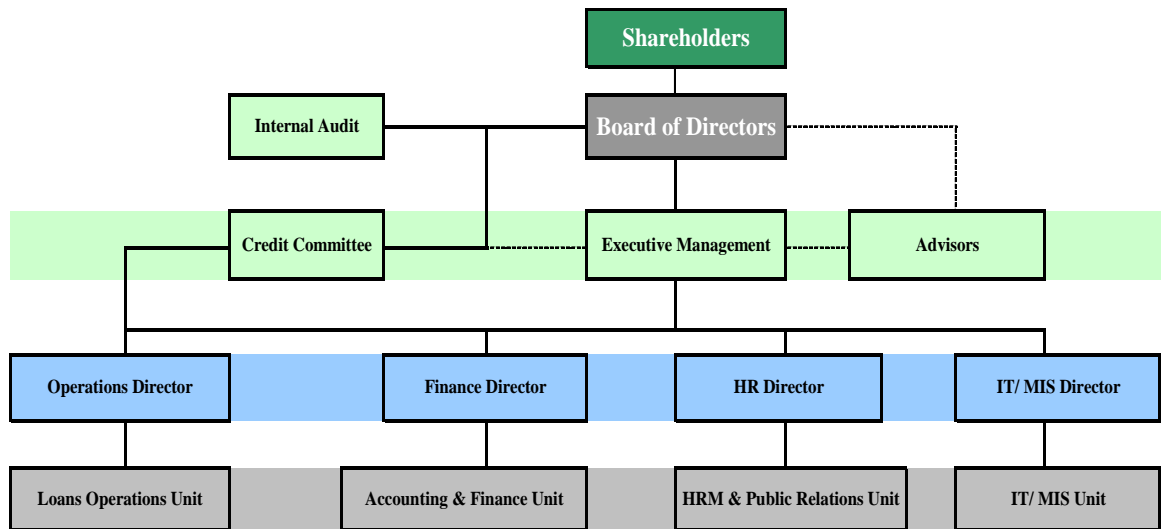
2- COMPANY OVERVIEW

MAXIMA was founded in March 08, 2000 with initial objectives and mission of providing adequate loans and financial services to low income clients in individuals, groups and small & medium enterprises (SMEs), in particular women-headed households. 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 saving activities among its clients and helps 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 offers its loans throughout the country by evaluating only their business activities with actual plans without consideration to their ethnic, religious background, and political status and gender.

In December 2001, MAXIMA registered under the official name ***MAXIMA Organization for Household Economic Development*** with the Ministry of Interior as NGO. MAXIMA registered and was granted registered MFI as rural credit operator from the National Bank of Cambodia (NBC) under No. 024 in May 2002. In August 2005, MAXIMA transformed from NGO-MFI and obtained full-licensed MFI from the NBC under No. 013 with the official name **MAXIMA MIKROHERANHVATHO CO., LTD.**

3- ORGANIZATIONAL CHART



4- GOVERNANCE

BOARD OF DIRECTORS

The Board of Directors is elected by shareholders during the annual general meeting (AGM). The Board was established in March 08, 2000 to conduct all activities in accordance with MAXIMA Statute. The mandate of the Board is four years.

The Board is part of the overall management team that includes an executive management, internal audit and a credit committee. The Board has the ultimate decision making authority and responsibility for directing and controlling the affairs of MAXIMA and providing effective and efficient management of overall operations.

The Board approves policies that direct operational management and delegate the necessary authority to staff so they can fulfill their job responsibilities. Chief Executive Officer (CEO) together with Managing Director is in charge of daily operations.

The Board establishes vision, mission and values, sets the strategy and structure, delegates the authority to management and exercises the accountability to shareholders and other stakeholders. The Board undertakes its responsibilities with honesty, integrity, care and diligence, in accordance with the law and regulations.

Duties and Responsibilities – The duties and responsibilities of the Board include:

- ❖ Attend quarterly Board and Committee meetings, AGM, any special meetings, and the annual planning seminar
- ❖ Provide input and participate in decisions of the Board
- ❖ Work with management to develop short and long term planning based on its objectives and assure sound operation

- ❖ Ensure MAXIMA complies with all applicable legislation
- ❖ Approve MAXIMA policy, financial statements, the annual budget, and the business plan
- ❖ Authorize the appropriate investment of MAXIMA funds
- ❖ Determine from time to time the services, loan interest rates and terms, deposit interest rates and terms, and types of deposits and loan accounts that MAXIMA shall offer its clients
- ❖ Approve any external borrowings of MAXIMA
- ❖ Employ, establish compensation and duties of its staff
- ❖ Authorize the manager or such other persons as may be agreed upon, to sign all official documents on behalf of MAXIMA
- ❖ Authorize the writing off of uncollectible loans and their removal from the books
- ❖ Report to the AGM on the activities occurring since the last annual meeting, the annual budget, and proposed use of profits for the fiscal year
- ❖ Keep the business of MAXIMA and its members confidential
- ❖ Disclose all conflicts of interest with any MAXIMA business and refrain from voting on issues related to the conflict of interest

The Board of MAXIMA consists of 5 directors:



Dr. **UONG KIM SENG** was born in 1972. He joined the Board of MAXIMA since the start of the company in 2000. He is currently serving as Chairman/ CEO of MAXIMA. He is also Chairman/ CEO of USK GROUP CO., LTD. Dr. KIMSENG used to be a Government official (1995-2002). He was appointed as Advisor to the Phnom Penh Chamber of Commerce in February 2006.

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



Mr. **AN BUNHAK** was born in 1973. He joined the Board of MAXIMA since the start of the company in 2000. He is currently serving as Vice-Chairman of MAXIMA. Mr. BUNHAK was Chief of Accounting at Pacific Commercial Bank (1995-2000).

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



Mr. **PA PONNAK RITHY** was born in 1960. He joined the Board of MAXIMA in 2001. He is currently serving as Managing Director. From 1980 to 1995, Mr. RITHY was Deputy Chief of Credit Office of the National Bank of Cambodia in Kampot province. He was Chief of Accounting at Pacific Commercial Bank (1995-1998). From 1998 to 2000 worked as Accounting and Administration Assistant in LWS, Kampong Speu province.

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



Ms. **SRENG SIVE CHHENG** was born in 1977. She joined the Board of MAXIMA since the start of the company in 2000. Ms. SIVE CHHENG is the Company's Treasurer and currently also serving as Director of Accounting and Finance of MAXIMA. From 1995 to 2000 she worked as Chief of Remittance at Pacific Commercial Bank.

Ms. **SIVE CHHENG** is currently a candidate of Master of Business Administration (MBA) at The University of Cambodia, Phnom Penh. She obtained Bachelor of Business Administration specialize in Management at the National Institute of Management, Cambodia in 2001.



Mr. **CHET CHAN PRASOEUR** was born in 1973. He joined the Board of MAXIMA in 2001. Mr. Prasoeur is currently serving as Director of Operations.

Mr. **PRASOEUR** is currently doing his English course at BANANA Centre. He graduated from the Faculty of Business, Cambodia and obtained Bachelor of Business Administration in 1995.

THE BOARD MEETING

The Board of MAXIMA meet face-to-face every three months in March, June, September and December in order to review the previous months results and meet with the external auditors in December in order to:

- ❖ Review MAXIMA's quarterly financial reports and receive progress reports on all aspects of its operations including services and products
- ❖ Approve the introduction of new strategic products and services and delivery processes
- ❖ Review and approve the Business Plan, Budget and Capital Expenditure Plan

EXECUTIVE MANAGEMENT



Dr. UONG KIM SENG
Chairman/ CEO, MAXIMA MIKROHERANHVATHO CO., LTD



Mr. AN BUNHAK
Vice-Chairman/CEO MAXIMA MIKROHERANHVATHO CO., LTD



Mr. PA Ponnak Rithy
Managing Director



Mrs. SRENG Sive Chheng
Director of
Accounting & Finance



Mr. CHET Chan Prasoeur
Director of
Internal Audit

MAXIMA organizational structure is divided into two committees (Credit Committee and Sub-Credit Committee) and 4 departments (Accounting & Finance, Operations, Human Resource and IT/MIS). The senior management of MAXIMA consists of Chairman/ CEO, Vice-Chairman/CEO, Managing Director, Director of Accounting & Finance, Director of Internal Audit and other Directors. Permanent employees are middle management, credit officers/ credit agents and other supporting employees such as drivers, security personnel and cleaners.

5- CREDIT COMMITTEE

Credit Committee: is responsible for the quality of MAXIMA loan portfolio by ensuring that loans are issued according to MAXIMA credit policy. **Credit Committee** supervises, approves, monitors on the performance of the loans and their repayment. The CEO or Vice-CEO, Managing Director and Director of Accounting and Finance are members of **Credit Committee**. The Credit Committee, based on the loan policies established by the Board, has the authority to:

- ❖ Review applications for loans and make decisions
- ❖ Loan supervision and recovery
- ❖ In necessary case, the committee has to nominate its members to visit the operating fields
- ❖ Make amendment of terms and conditions of loan provided and loan policies
- ❖ Review loan and collection policies along with performance
- ❖ Evaluate the lending performance annually and compare it to past periods
- ❖ Review the number and amount loans outstanding by purposes and collateral, total number and amount of loans approved and declined, the total number of borrowers, the ratio of borrowers to loan officers, the average loan size, the delinquent loan to total loan ratio and the average loan ratio
- ❖ Prepare and present a report at AGM summarizing the loan activity for the year
- ❖ Ensure that the management and loan officers carry out their duties according to all legal requirements, policies and credit committee guidelines

Sub-Credit Committee: in order to provide good customer service and offer loan with fast, adequacy and quality, **Sub-Credit Committee** was also established to act as assistant to the **Credit Committee** by approving loan less than \$1,000. The members of **Sub-Credit Committee** are Managing Director, Director of Accounting and Finance and Loan Officers.

6- INTERNAL AUDIT

Internal audit/ controls are mechanisms, policies, and procedures used to minimize and monitor operational risks, which focusing on accounting, operating and administrative controls. Internal audit check the following operations:

- ❖ Appraisal of loans, controls, management procedures, systems and performance
- ❖ Verification of accuracy and reliability of accounting information
- ❖ Ensure that records are accurate and controls are adequate to protect against fraud/ mistakes
- ❖ Verify the efficiency and effectiveness of the operations
- ❖ Assure the reliability of financial and management information
- ❖ Ensure compliance with applicable laws and regulations

7- PRODUCTS & SERVICES

1 LOANS

<u>Loan Products</u>	<u>Term (months)</u>	<u>Loan Amount (\$)</u>	<u>Interest Rate (\$)</u>
Rural Individual Loan	10 - 12 & 20	50.00 - 950	3%
Rural Group Loan (3-6 people)	10 - 12 & 20	50.00 - 950	3%
Small & Medium Business Rural Loan	10 - 12 & 20	> 1,000.00	2.5%
<u>Loan Categories</u>			
- Agriuculture	<i>Farm Productions, Livestock & Fisheries</i>		
- Trade & Commerce	<i>Vendors</i>		
- Services	<i>laundry, hair cut, public phone service...</i>		
- Transportation	<i>taxi, motor taxi...</i>		
- Household/ family	<i>handicraft, grocery (home), house repair...</i>		
- Other Categories			

2 Savings – Voluntary Savings

<u>Duration</u>	<u>Minimum Amount-US\$</u>	<u>Annual Interest Rate</u>	<u>Minimum Amount- KHRiel</u>	<u>Annual Interest Rate</u>
3 months	50	6%	100,000	7%
6 months	50	7%	100,000	8%
12 months	50	8%	100,000	9%
20 months	50	8.5%	100,000	10%

8- MOST IMPORTANT EVENTS IN 2005

MAXIMA Full Licensed MFI

In mid August 2005, the National Bank of Cambodia granted a full-licensed MFI to MAXIMA with the official name **MAXIMA MIKROHERANHVATHO CO., LTD.** Therefore, at the end August 2005 MAXIMA closed its accounts and all net profit after deducting 5% for Retained Earning–Other Reserves has been paid for dividends. Furthermore, to control the loan quality, loan portfolio has been separated as Standard Loans, Substandard Loans, Doubtful Loans, Loan Loss Reserve and Write-off. From the start of micro credit programs in 2000, MAXIMA did not separate the loan portfolio but only Write-off.

Financial Support from ADA

As a result of good communication and negotiation with ADA (Appui au Développement Autonome), Luxemburg MAXIMA has successfully received financial support from ADA. In December 2005, MAXIMA signed loan agreement with ADA with the total loan amount of US\$ 100,000.00 (One hundred thousand US Dollars). The first installment of US\$ 50,000.00

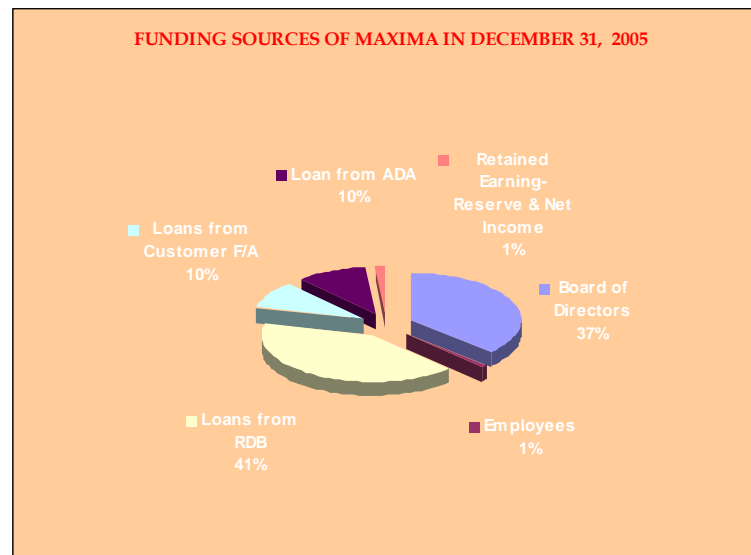
was transferred to MAXIMA in December 23, 2005. The disbursement of the second installment of US\$ 50,000.00 will be conditional to the result of a rating conducted by Maxima.

Governance

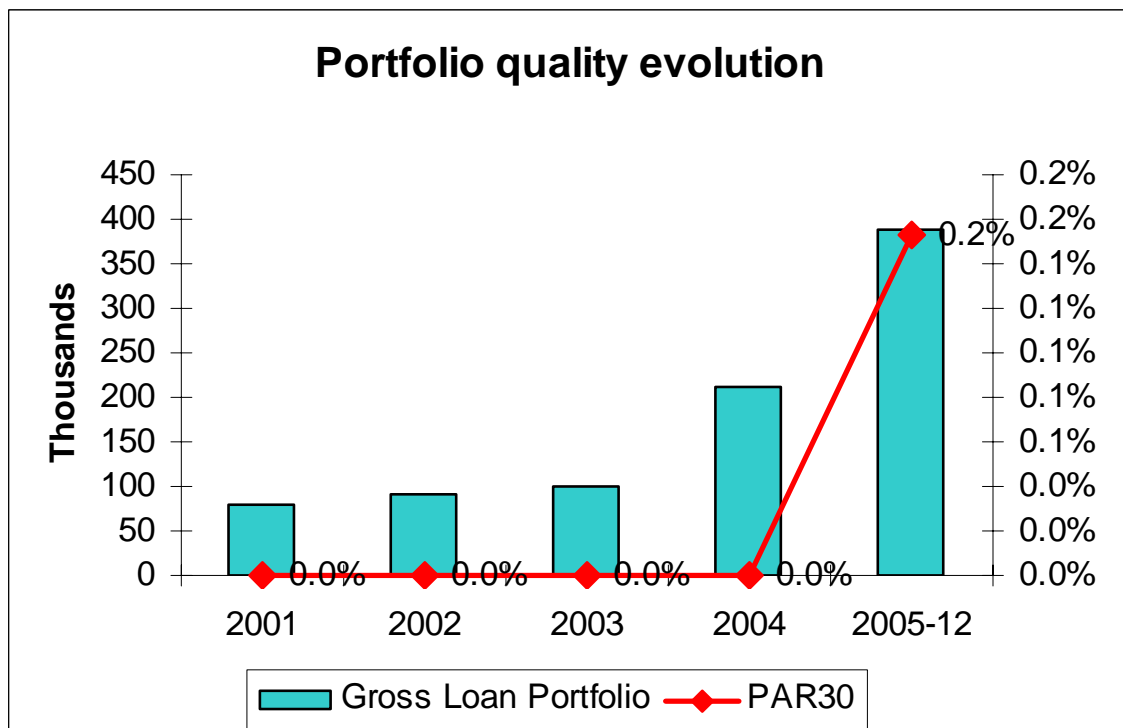
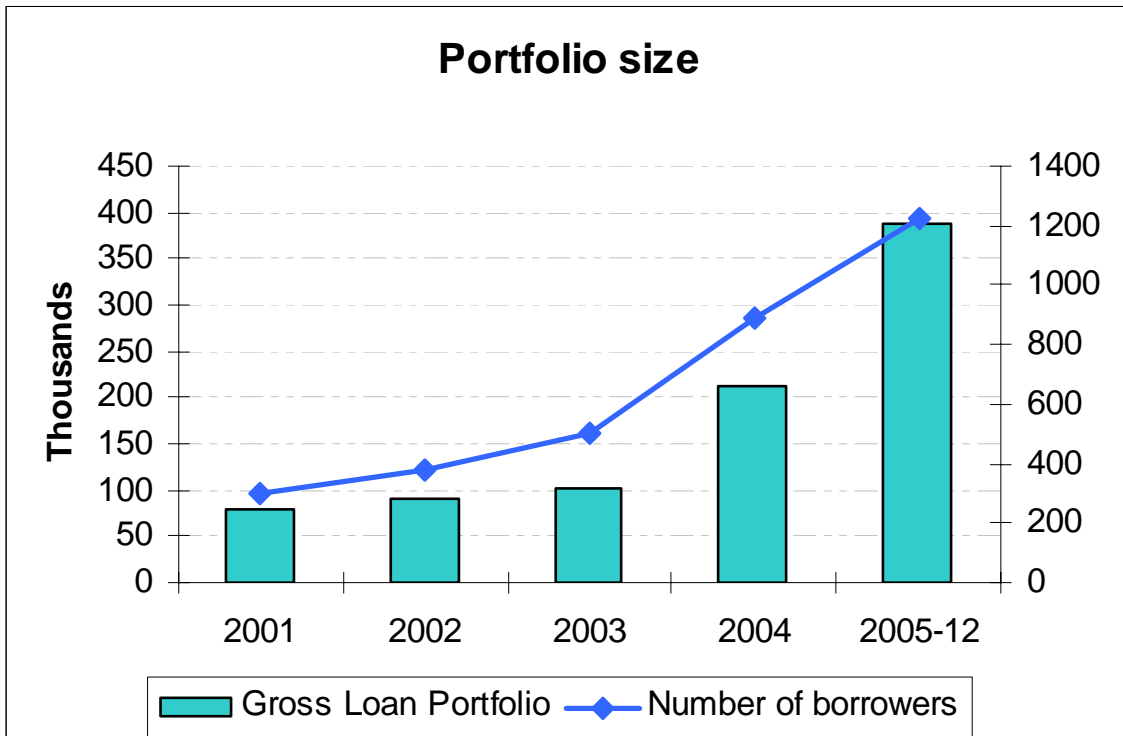
During the year, the Company has improved a number of its existing policies and practices such as Employee Manual and Credit Methodology. The organizational structure of the Company is changing in order to effectively perform and achieve its long term business strategy in particular attract more investments and funds with lower interest rate to expand business activities. Chairman and Vice-chairman of the Board are serving as CEO and Vice-CEO.

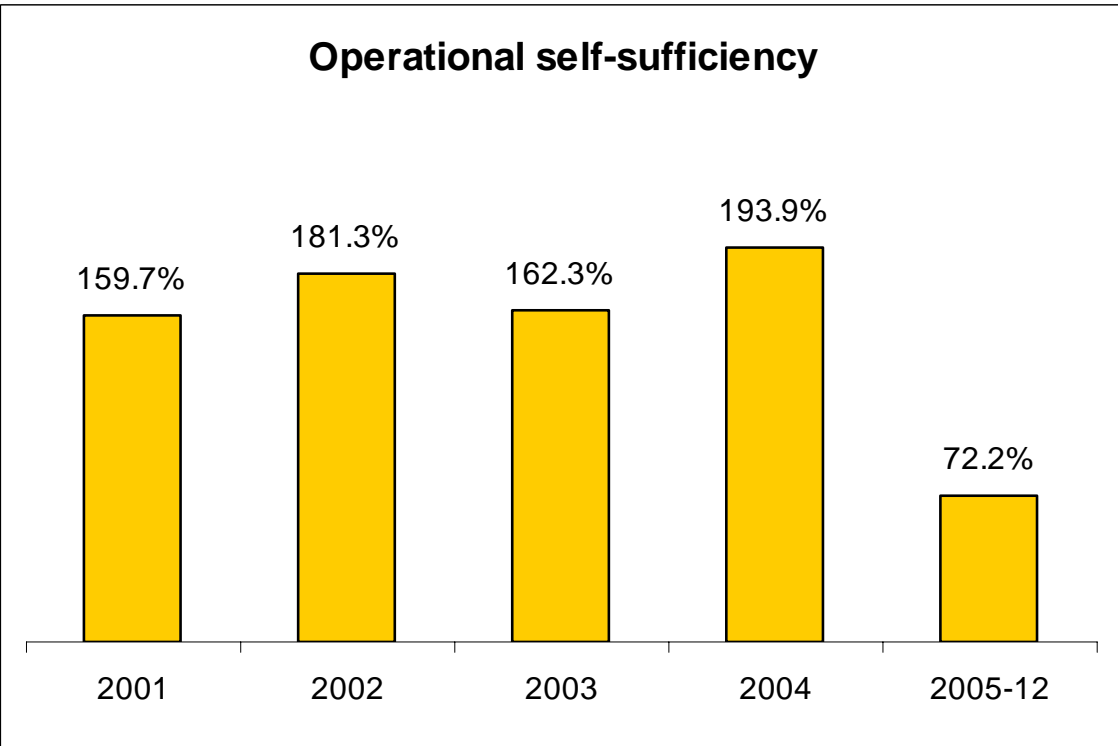
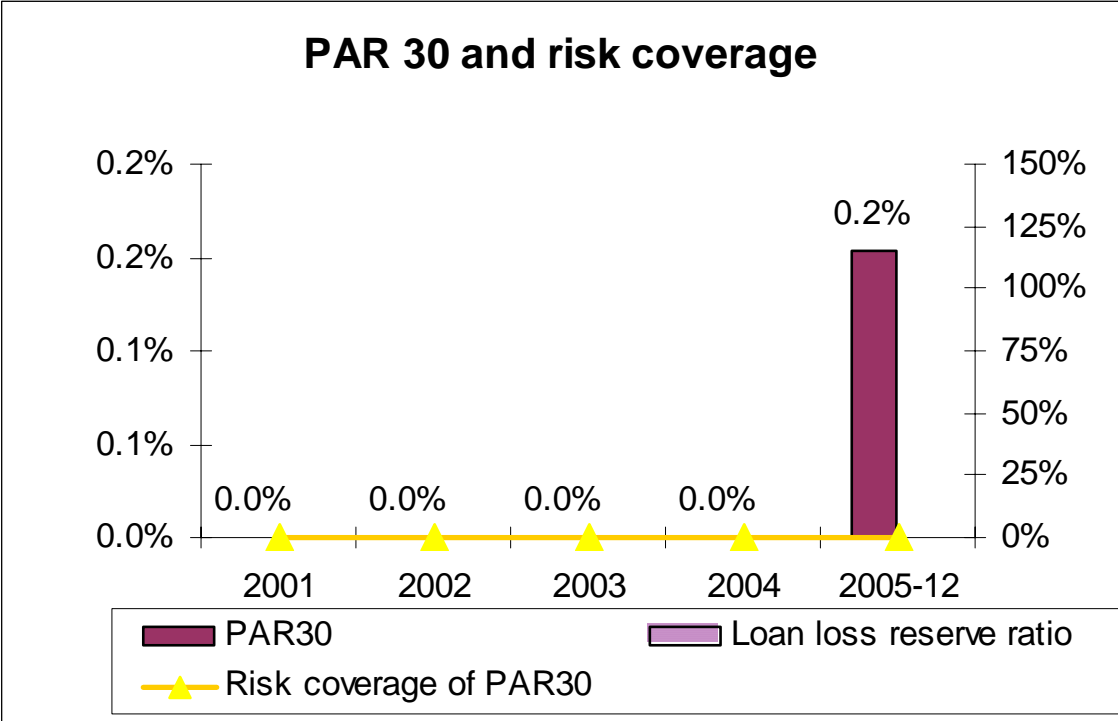
9- SHAREHOLDERS/ FUNDING SOURCES

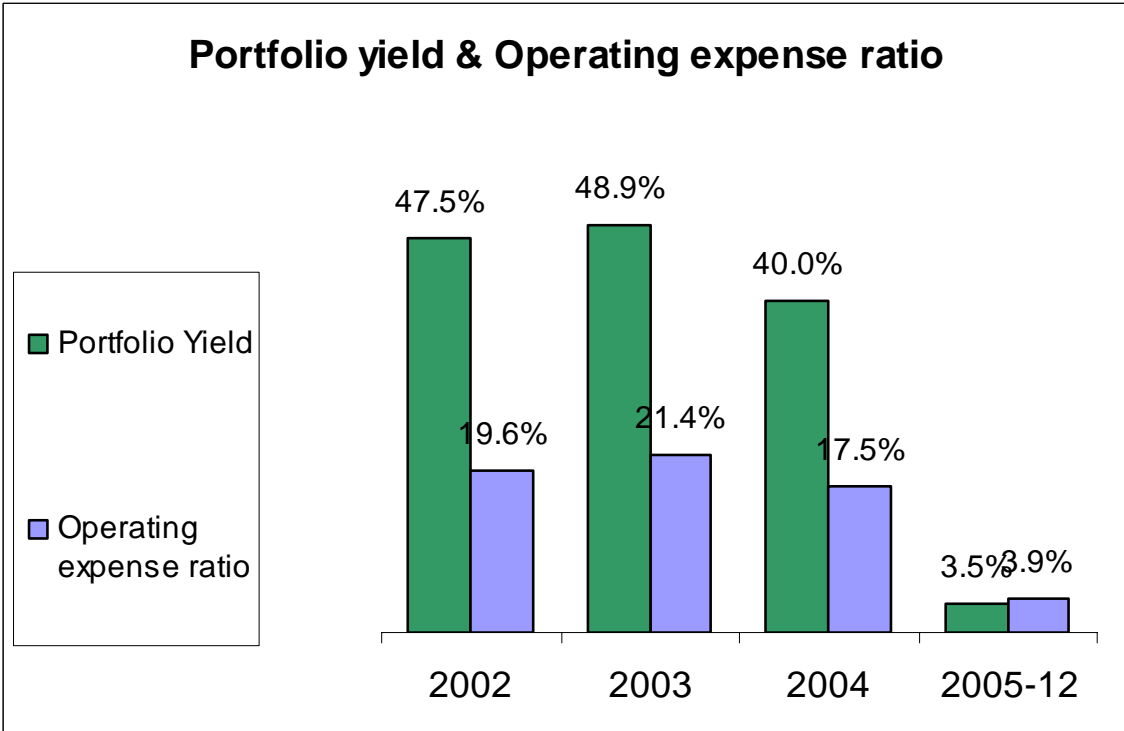
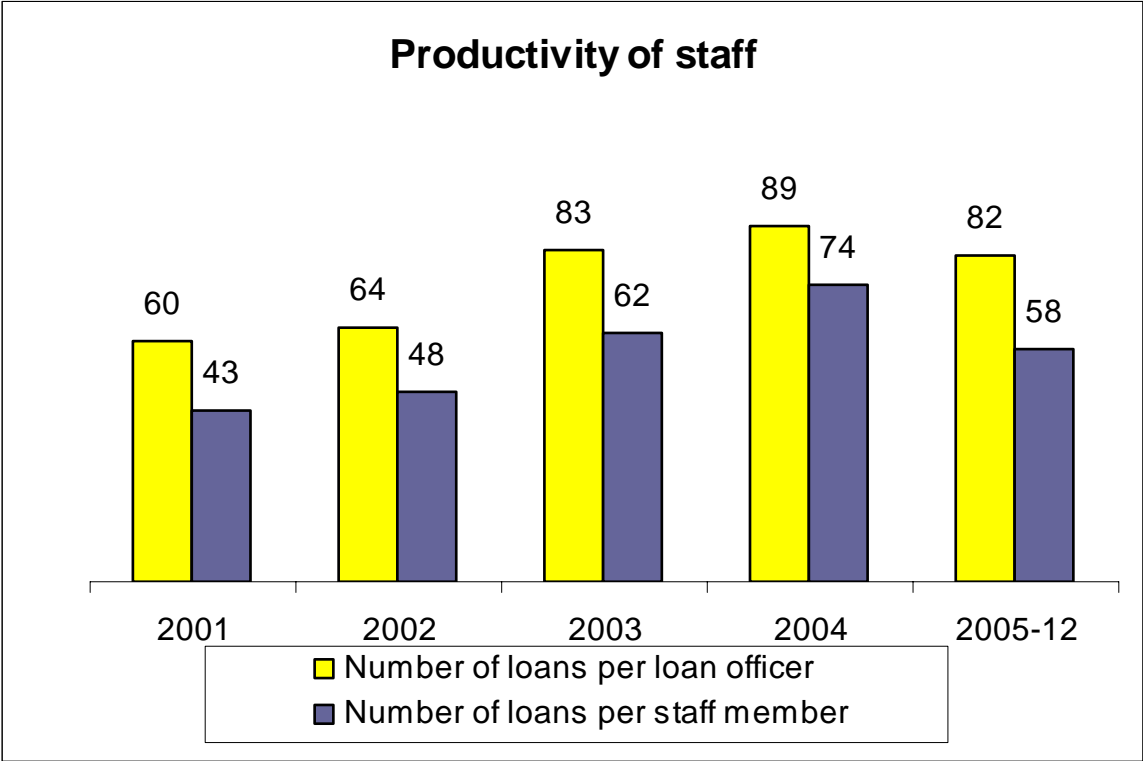
So far MAXIMA has been collecting funds from its Board members, employees, private persons and other institutions and investments in order to increase its capital for operating micro credit programs. In 2005, MAXIMA also could access to loan from the Rural Development Bank. Recently, MAXIMA has good communication with Appui au Développement Autonome (ADA) – Luxemburg, Microfinance Alliance Funds and ETIMOS of Italy, who will bring technical and financial sources to assist MAXIMA in the future.

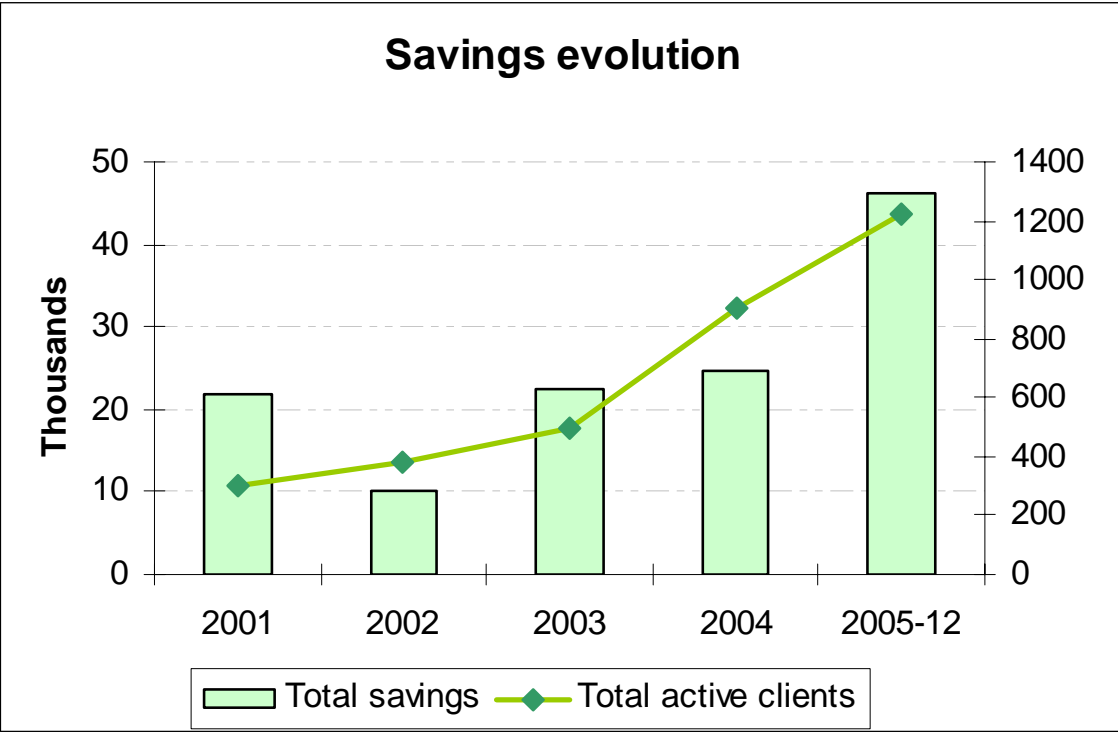
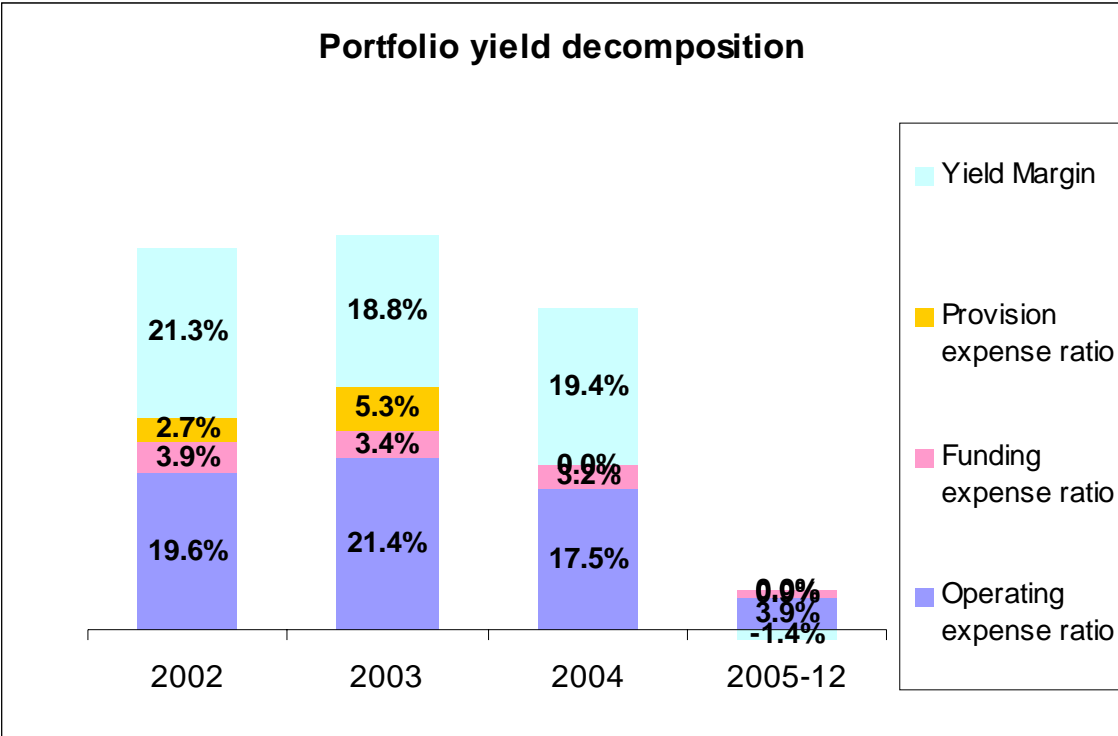


10- FINANCIAL INFORMATION (2001- 2005)

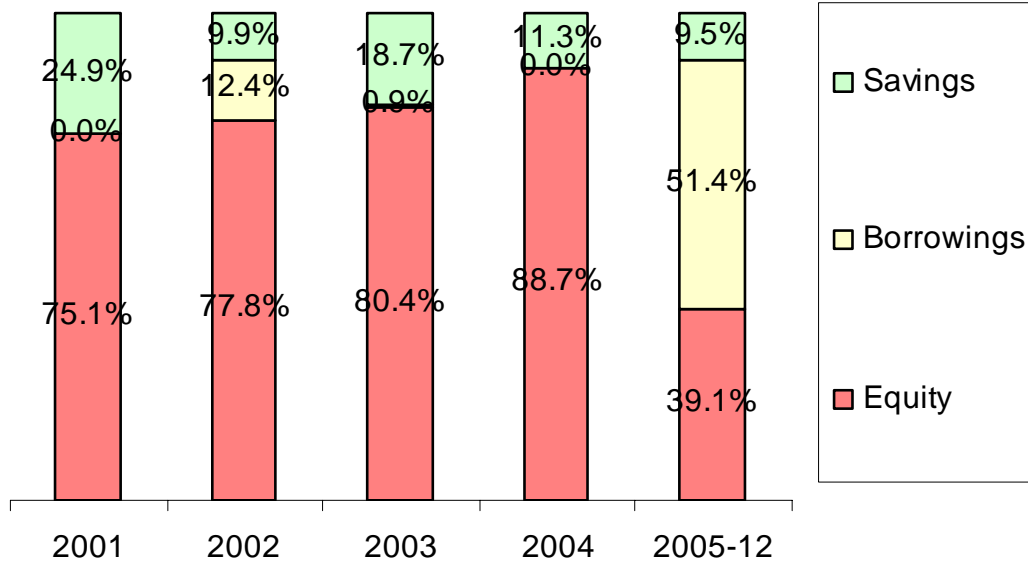








Funding structure



BALANCE SHEET (2001-2005)

	Year 2001	Year 2002	Year 2003	Year 2004	Year 2005
<i>Fill in money items in local currency !!</i>					
ASSETS					
CURRENT ASSETS	5,762.98	8,172.49	15,268.26	1,912.87	107,915.59
Cash on hand	1,789.87	1,579.17	2,986.59	1,309.45	3,335.54
Non-interest bearing deposits and clearing accounts	0.00	0.00	0.00	0.00	3,500.00
Interest bearing deposits and investments < 1 year	192.79	6,229.57	11,288.67	103.42	71,633.95
Prepaid expenses	0.00	0.00	0.00	0.00	3,880.00
Accounts receivable	2,780.32	363.75	993.00	500.00	24,566.10
Interests receivable	0.00	0.00	0.00	0.00	0.00
Other current assets	1,000.00	0.00	0.00	0.00	1,000.00
NET LOAN PORTFOLIO	78,276.56	89,948.08	100,908.90	211,688.25	388,990.22
Gross Loan Portfolio (principal outstanding)	78,276.56	89,948.08	100,908.90	211,688.25	388,990.22
(Loan Loss reserves)	0.00	0.00	0.00	0.00	0.00
LONG TERM ASSETS	3,358.83	2,994.06	3,426.94	4,130.34	12,480.51
Investments > 1 year	0.00	0.00	0.00	0.00	0.00
Net Property and Equipment	3,358.83	2,994.06	3,426.94	4,130.34	10,844.36
Other long term assets	0.00	0.00	0.00	0.00	1,636.15
TOTAL ASSETS	87,398.37	101,114.63	119,604.10	217,731.46	509,386.32
LIABILITIES					
CURRENT LIABILITIES	21,783.72	22,490.00	23,401.00	24,607.00	246,190.00
Demand deposits	0.00	0.00	0.00	0.00	0.00
Short term Time Deposits (< 1 year)	21,783.72	10,000.00	22,333.00	24,607.00	46,190.00
Short term Borrowed Funds (< 1 year)	0.00	12,040.00	0.00	0.00	200,000.00
Interests payable	0.00	0.00	0.00	0.00	0.00
Other short term liabilities	0.00	450.00	1,068.00	0.00	0.00
LONG TERM LIABILITIES	0.00	0.00	0.00	0.00	50,000.00
Long term Time Deposits (> 1 year)	0.00	0.00	0.00	0.00	0.00
Long term Borrowed Funds (> 1 year)	0.00	0.00	0.00	0.00	50,000.00
Quasi Capital Accounts	0.00	0.00	0.00	0.00	0.00
Other long term liabilities	0.00	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	21,783.72	22,490.00	23,401.00	24,607.00	296,190.00
EQUITY					
Paid-up share capital	52,500.00	60,600.00	60,600.00	171,500.00	70,000.00
Donated equity	0.00	0.00	0.00	0.00	0.00
Current year profit/loss	0.00	0.00	0.00	0.00	25,280.27
Reserves / retained earnings / accumulated losses	13,114.65	18,024.63	19,255.52	19,024.46	4,286.05
Other capital accounts	0.00	0.00	16,347.58	2,600.00	113,630.00
TOTAL EQUITY	65,614.65	78,624.63	96,203.10	193,124.46	213,196.32
TOTAL EQUITY AND LIABILITIES	87,398.37	101,114.63	119,604.10	217,731.46	509,386.32

PROFIT & Loss (2001-2005)

	Year 2001	Year 2002	Year 2003	Year 2004	Year 2005
<i>Fill in money items in local currency !!</i>					
TOTAL FINANCIAL INCOME	35,452.80	39,953.80	46,686.52	62,475.06	97,540.03
Interest and fee income from loan portfolio	35,452.80	39,953.80	46,686.52	62,475.06	97,540.03
Cash Interest and fee income	35,452.80	39,953.80	46,686.52	62,475.06	97,540.03
<i>Accruals (Interest receivable)</i>	0.00	0.00	0.00	0.00	0.00
Interest and fee income from investments	0.00	0.00	0.00	0.00	0.00
Other income from financial services	0.00	0.00	0.00	0.00	0.00
TOTAL FINANCIAL EXPENSES	2,276.82	3,275.98	3,209.00	4,936.70	14,989.51
Interest and fee expense	1,925.32	3,275.98	3,209.00	4,936.70	12,198.69
for Client Deposits	1,329.32	1,036.00	1,440.00	4,216.70	3,594.56
for Borrowed Funds	596.00	2,239.98	1,769.00	720.00	8,604.13
Other financial expenses	351.50	0.00	0.00	0.00	2,790.82
GROSS FINANCIAL MARGIN	33,175.98	36,677.82	43,477.52	57,538.36	82,550.52
Loan loss provision expenses	0.00	2,286.39	5,084.00	0.00	0.00
Exchange differences: gain/(loss)	0.00	0.00	0.00	0.00	0.00
NET FINANCIAL MARGIN (after provisions)	33,175.98	34,391.43	38,393.52	57,538.36	82,550.52
Other operating income (non-extraordinary)	0.00	0.00	0.00	0.00	0.00
Operating expenses	19,922.29	16,476.91	20,469.00	27,275.97	55,429.48
Personnel expenses	11,188.20	10,370.00	13,367.00	16,942.00	28,975.00
Administrative Expenses	8,734.09	6,106.91	7,102.00	10,333.97	26,454.48
NET OPERATING MARGIN	13,253.69	17,914.52	17,924.52	30,262.39	27,121.04
Non-operating income (non-extraordinary)	0.00	0.00	0.00	0.00	0.00
Non-operating expenses	0.00	0.00	0.00	0.00	0.00
Inflation adjustment (if included in financial statements)	0.00	0.00	0.00	0.00	0.00
Other non-extraordinary expenses	0.00	0.00	0.00	0.00	0.00
NET INCOME (non-extraordinary)	13,253.69	17,914.52	17,924.52	30,262.39	27,121.04
Extraordinary income	0.00	0.00	0.00	0.00	0.00
Extraordinary expenses	308.18	706.54	346.05	1,082.87	1,055.69
NET INCOME (before donations and income-taxes)	12,945.51	17,207.98	17,578.47	29,179.52	26,065.35
Donations	0.00	0.00	0.00	0.00	0.00
Taxation on income and profits	0.39	0.00	0.00	4.53	785.08
NET INCOME	12,945.12	17,207.98	17,578.47	29,174.99	25,280.27

11- FUTURE PERSPECTIVE/ EXPANSION PLAN

With the satisfactory achievements for previous years MAXIMA pays more attention to the successes in the next years even though the net profit after tax decreased in the end of year 2005. To meet its target for growing business activities through increasing loan portfolio and gathering more capital, MAXIMA is looking for partnership to increase business activities and collecting funds from other institutions and investments to increase capital in the next two years. By the end of 2006, MAXIMA needs more funds with total amount of US\$300,000.00 in order to increase its loan portfolio up to US\$692,904.46. In 2007, the loan portfolio will be increasing to US\$992,904.46 so MAXIMA is going to collect more funds of US\$250,000.00. As planned by the end of 2008, MAXIMA will increase its loan portfolio up to US\$1,292,904.46 and the funds are needed with the amount of US\$380,000.00. In this 2006, MAXIMA is going to expand loan target areas along the Mekong River within Cambodia and Arey Khsat and Kean Svay districts.

Although the Board and Management see that there are many potential businesses in micro credit programs, some risks and obstacles should be considered:

- Business environment in Cambodia are more complex and depend heavily on the still fragile economic structure
- Micro-finance programs are still costly because of, the infrastructures, financial costs, and door to door operations

However, MAXIMA experience during the past five 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 2004-2005.