



គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ "ម៉ាក់ស៊ីម៉ា" ភីអិលស៊ី
MAXIMA Microfinance Plc.

To improve lives of clients



Annual Report 2017

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VISION, MISSION AND SLOGAN

Vision

MAXIMA's vision is to be the leading microfinance institution offering micro-financial services with the highest quality of customer service.

Mission

MAXIMA's mission is to offer micro-financial services with an emphasis on lending to rural poor and low-income individuals, groups and small and medium enterprises to improve their living standards and realizing their business goals. The focus is to provide high quality of service to our customers with a dedicated and committed team and at the same time create value to satisfy all its stakeholders socially and economically.



MAXIMA's client at her Taro (root vegetable) farm

PERFORMANCE HIGHLIGHTS

INDICATORS	YEAR	
	2016	2017
Operational Performance		
Number of Branch Offices	10	14
Number of Provinces Covered	4	6
Number of Districts Covered	23	39
Number of Communes Covered	161	223
Number of Villages Covered	852	1,096
Loan Outstanding (in USD)	9,825,293	15,131,512
Active Borrowers	4,549	5,795
Borrowers per Credit Officer	76	84
Average Loans Portfolio per Credit Officer (in USD)	163,755	219,297
Average Loan Size (in USD)	2,160	2,611
Amount of Loans Disbursed (in USD)	10,864,960	18,049,050
No. of Loan Disbursed	4,062	5,598
Average Loan Disbursed (in USD)	2,675	3,224
PAR >30 days	1.00%	0.82%
Total Staff	128	161
Financial Performance		
Total Income (in USD)	1,989,806	2,812,987
Total Expense (in USD)	1,596,292	2,287,626

Profit/Loss (in USD)	393,514	525,361
Total Borrowings (in USD)	3,409,834	8,343,901
Total Assets (in USD)	11,318,600	16,867,729
Total Equity (in USD)	7,588,581	8,039,173
Paid-up Capital (in USD)	5,095,290	5,095,290
Return on Equity	6.60%	6.72%
Return on Assets	4.00%	3.73%
Operating-expense Ratio	10.70%	10.80%
Operational Self-Sufficiency	154.30%	147.90%

SOCIAL PERFORMANCE INDICATORS

SPM INDICATORS	2016	2017
Governance		
Number of management	7	7
Number of women in management position	3	3
Loan Product		
Productivity loan portfolio	163,755	219,297
Client Outreach		
Number of borrowers in rural area	3,152	4,406
Number of borrowers in urban area	1,397	1,389
Number of women borrowers	3,976	5,288
Number of group borrowers	555	1,100
Number of individual borrowers	3,014	3,088
Number of SME borrowers	980	1,607
Number of new borrowers	1,645	2,737
Portfolio Outreach by Lending Methodology		
Percentage of group lending	2%	2%
Percentage of individual lending	46%	34%
Percentage of SME lending	52%	64%
Human Resource		
Total staff	128	161
Number of women staff	25	35
Number of Credit Officers	60	64
Staff Benefit	13 th month salary, Accident, and health insurance, and other benefits	
Social Responsibility to clients		
Adoption of 7 Clients Protection Principles	Completed self-appraisal	

Second and third bottomline:		
MAXIMA Cleanliness and Health Promotion Projects	4	3
Total number of workshop participants (Approximately)	394	318
MAXIMA Green Cambodia Campaign- Tree Projects	2	2
Total number of campaign participants (Approximately)	166	194
Client Satisfaction		
Client retention rate*	60.66%	70.83%

*Some clients borrowed the loan to renovate their houses, and after then they do not face urgent need for credit. That is one of the reasons behind the low rate.

CAMBODIA KEY ECONOMICS INDICATORS 2017

	2014	2015	2016	2017 ^p	2018 ^f
Output, Domestic Demand and Prices					
Real GDP (% change yoy)	7.1	7.0	7.0	6.8	6.9
Domestic Demand (% change yoy)	10.1	8.5	9.5	8.5	9.4
Consumer price index (% change yoy)	1.7	1.3	3.5	2.9	3.2
Trade & Investment					
Export (Million USD)	7,636.0	8,280.2	9,115.2	9,989.5	10,925.1
Import (Million USD)	9,659.6	10,542.0	11,391.2	12,263.3	13,389.6
Foreign Direct Investment (Million USD)	1,679.9	1,668.8	2,164.4	2,418.8	2,662.3
Public Sector					
Government Revenue (% of GDP)	16.8	17.6	18.4	18.5	18.8
Government Expenses (% of GDP)	21.8	21.1	21.4	23.0	23.8
Financial Market					
Domestic credit (% change yoy)	28.4	28.6	25.8	16.5	15.2
Short-term interest rate (% p.a)	11.5	11.6	11.8	11.7	11.5
Exchange Rate (KHR/USD)	4,030	4,025	4,058	4,062	4,067

p = projection

f = forecast

Source: World Bank Report: "Cambodia Climbing Up the Manufacturing Value Chains", October 2017.

CORPORATE HISTORY AND MILESTONES

- 2000 Founded in March 2000 by a group of friends from the financial services background. MAXIMA began its first micro credit operations on 1st June 2000 in Koh Dach Commune, Kandal province.
- 2001 Registered with the Ministry of Interior as an NGO with the official name MAXIMA Organization for Household Economic Development.
- 2002 Registered with the National Bank of Cambodia as an MFI for rural credit operator. As a registered MFI, MAXIMA has attracted a number of key investors.
- 2005 Obtained a full license as an MFI from the National Bank of Cambodia with the official name MAXIMA MIKROHERANHVATHO Co., Ltd. Over the years MAXIMA MFI has partnered with various organizations such as Rural Development Bank (RDB) in Cambodia, Appui au Développement Autonome (ADA) in Luxembourg, Consorzio ETIMOS in Italy, and others.
- 2006 Board of Directors increased staff benefits by adding a Staff Provident Fund and Health & Injury Insurance.
- 2007 Partnered with Kiva Microfund, an organization based in the USA.
- 2008 In June 2008, National Bank of Cambodia granted MAXIMA a permanent license to operate as an MFI. In August, MAXIMA opened its second branch in Kien Svay district of Kandal Province.
- 2009 Was awarded a certificate of recognition for being a global pioneer in the microfinance industry by participating in the Cambodia transparent pricing initiative from Microfinance Transparency Organization. MAXIMA was awarded a certificate for reporting on social indicators from CGAP.
- 2012 MAXIMA transformed from private limited company to public limited company with official name MAXIMA Mikroheranhvatho Plc.
- 2014 Gojo & Company Inc. joined as a shareholder.
- 2015 Was renamed as MAXIMA Microfinance Plc.
- 2016 2016, was a landmark year with MAXIMA building its brand visibility by changing the design of its logo to a new logo. Also, in the same year, Gojo & Company Inc. decided to convert the loan into MAXIMA's equity, and this request got approval from National Bank of Cambodia in December 2016.
- 2017 Received fund from Chailease Finance Co., Ltd. 2017 marked an important year. MAXIMA received support from new funders and lenders, so that MAXIMA is able to expand its business to reach more clients. Was one of the few MFIs chosen to participate in MIX's Voice of Client Project.

MESSAGE FROM CHAIRMAN



The year has been a tough one but one that brought to light for us our staffs' and MAXIMA clients' resilient nature. In the face of the interest rate cap introduced early on in the year and the ensuing changes, MAXIMA made every effort to strengthen transparency and client protection in an attempt to ensure best practices and keeping our clients at the center of all our activities.

I am happy that during the year, MAXIMA, participated in Capacity Building Seminars on Financial Inclusion arranged by NBC Asia Pacific Department of the IMF (APD). Keeping in mind the widening gap in the income levels and educational standards in the Asian region, NBC has collaborated with the International Monetary Fund (IMF) and the Alliance for Financial Inclusion (AFI) to share experiences and findings on macroeconomic policies and financial inclusion.

The National Bank of Cambodia's (NBC) annual report 2017 promulgates promoting financial inclusion as one of the top priorities of Cambodian Government Policies. The NBC along with relevant ministries have been working on the framework of the Financial Sector Development Strategy 2016-2025, a well-defined National Strategy on Financial Inclusion has been developed and work is underway with the United Nations Capital Development Fund (UNCDF).

In 2017 the total loan portfolio of MAXIMA reached USD 15,131,512 an increase of 54% from USD 9,825,293 in 2016. The active clients increased by 27% from 4,549 to 5,795. The profit at year end 2017 remained at USD 525,361 an increase of 34% compare to USD 393,514 in 2016 which makes the return on equity 6.7% and return on assets 3.7% respectively. MAXIMA Microfinance Plc. has 161 staff worked in operation area including the main 8 city and province: Phnom Penh, Kampong Speu, Kampong Cham, Prey Veng, Tboung Khmom, Takeo, and Kamport. The good achievement reflects the effort of our Board and Staff at all levels who conquer all obstacle to achieve the business goals, and make clients lives better aligning with the vision, and mission of MAXIMA Microfinance Plc.

MAXIMA hopes to continue on its path of providing excellent service to clients in a speedy and timely manner keeping the principles of client protection in mind at all times. MAXIMA endeavors to develop and maintain long term relationship between staff and clients always keeping the best interests of the Cambodian people at the center of our operations.

Finally, I would like to express profound thanks to member of Board of Directors, and committee who pay attention to guiding and supporting management team in purpose for sustainability growth. I would like to admire management team and all staff of MAXIMA for the good achievement for 2017. Specifically, my thanks to shareholders, funders, and clients for all the confidence in the institution that would allow MAXIMA to continue operation in the following year.



Mr. An Bunhak,
Chairman

MESSAGE FROM CEO



2017 is the significant year for MAXIMA Microfinance Plc. for the good achievement in providing good quality of microfinance service for target clients in alignment with vision and mission. MAXIMA Microfinance Plc. puts focus on loan quality and client protection from over-indebtedness. To make the credit service reach clients and especially clients in remote area, MAXIMA Microfinance Plc. launched new branches. A new branch in Pearang District in Prey Veng Province and in Orang Ov District in Toung Khmom Province, Banteay Meas District in Kamport Province. As a result, MAXIMA Microfinance Plc. achieved the loan portfolio of USD 15,131,512 equivalent to 54% as compared to loan portfolio in 2016. Active clients of MAXIMA is 5,759 in which female clients represent 5,288.

Besides operation, MAXIMA pays attention to social performance management and full adoption of client protection principles. For instance, in 2017 MAXIMA attended the event to disseminate and inform the discussion on financial literacy through national radio and television program on topics of how to calculate payback capacity, privacy of client data, and client protection principles. In addition to that MAXIMA cares on client complaint mechanism in order to respond to clients on time, and focus on good customer service. The idea of growing together with the clients has inspired MAXIMA to continue to provide loan with responsibility and for the sustainable growth of both MAXIMA and clients.

On behalf of the management team, I would like to say thanks to the shareholders, Board of Directors and Board Committees, for providing support, guidance, and cooperation to achieve business and success. I would like to extend a heartfelt thanks to all Staff at MAXIMA Microfinance Plc. for their continued effort in completing the tasks with their hard work without exhausted feeling for the purpose of offering good service for client with responsibility. Finally, I would extend thanks to Cambodia Microfinance Association, National Bank of Cambodia, and other relevant ministry for support and good environment for business situation of MAXIMA.



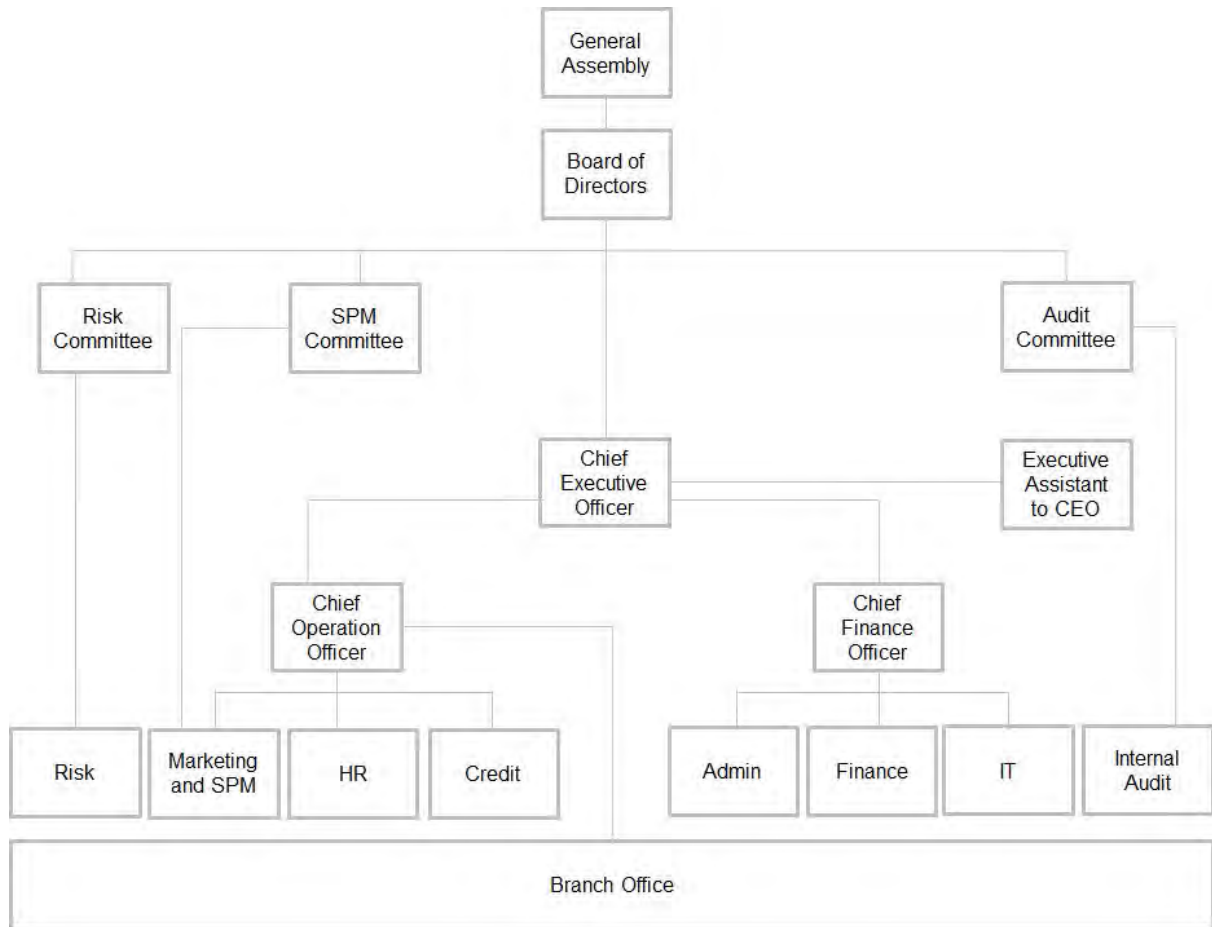
Mr. Pa Ponnak Rithy
Chief Executive Officer

PARTNERS



ORGANIZATION CHART

Organizational chart as of December 31, 2017



SHAREHOLDERS

As of December 2017, the shareholder of MAXIMA Microfinance Plc. includes:

Shareholder	Number of Shares	Share (USD)	Share Capital
Gojo & Company, Inc.	314,029	3,140,290	61.63%
Mr. An Bunhak	100,000	1,000,000	19.63%
Ms. Sreng Sivechheng	43,000	430,000	8.44%
Ms. Sarun Vithourat	42,000	420,000	8.24%
Mr. Chet Chanprasoeur	5,500	55,000	1.08%
Mr. Pa Ponnak Rithy	4,385	43,850	0.86%
Employee	615	6,150	0.12%
TOTAL	509,529	5,095,290	100%

Shareholder Information



Gojo & Company Inc., represented by Mr. Taejun Shin

Mr. Taejun Shin is the founder and CEO of Gojo & Company, Inc., the majority shareholder of MAXIMA. After graduating from Korea University and Waseda Graduate School of Finance, Taejun started his career at Morgan Stanley and then worked for Unison Capital. While working in the finance industry, Taejun founded Living in Peace, an NGO, in 2007, and created the first microfinance investment fund in Japan's investment history in 2009. Taejun cofounded Gojo in 2014 and has led the company's growth until today as the CEO. He is the Young Global Leader of the World Economic Forum and the youngest founding member of Endeavor Japan. The Harvard Business Review Japan Edition selected him as the 20 best CEOs under age 40. He is the author of 9 books, a finisher of the 1,648 km ultra-marathon, and a karate black-belt holder. Taejun is fluent in Japanese, Korean and English.



Dr. An Bunhak joined as a shareholder of MAXIMA since 2000. He earned his Doctoral Degree in Business Administration (DBA) from Preston University, USA in 2009. He also obtained a Master of Banking and Finance at Norton University, Cambodia and Ateneo De Zambanga University, Philippines in 2003. In 1995, Dr. BUNHAK graduated from the Faculty of Business, Cambodia and obtained Bachelor of Business Administration. Dr. Bunhak is well conversed in English, Thai and Khmer.



Ms. Sreng Sivechheng joined as a shareholder of MAXIMA since 2000. She completed her Master of Financial Management at Royal University of Law and Economics, Phnom Penh in September 2016. She obtained Bachelor of Business Administration specializing in Management at the National Institute of Management, Cambodia in 2001. Ms. Sivechheng is well conversed in English, Thai and Khmer.



Ms. Sarun Vithourat joined as a shareholder of MAXIMA since 2012. She has a degree in marketing and specialized in banking from Rene Descartes University in Paris in 2007. She has been working for private banks since then, both in Cambodia and France. She also has asserted herself in Cambodian Business in cosmetic and skin care products, hospitality, and rice sector since 2009. Ms. Vithourat is well conversed in English, French, and Khmer.



Mr. Chet Chanprasoeur joined as a shareholder of MAXIMA in December 2000. He obtained his Master degree in Law at Build Bright University, Cambodia in 2010. Mr. Prasoeur graduated from the Faculty of Business, Cambodia and obtained a Bachelor of Business Administration in 1995.



Mr. Pa Ponnak Rithy joined as a shareholder of MAXIMA in December 2000. He earned his degree in Accounting/Finance and Banking in Cambodia and received Bachelor of Business Administration in 1986. Mr. Rithy is well conversed in English and Khmer.

BOARD OF DIRECTORS

Board of Directors at MAXIMA consists of 7 members. Board Members have knowledge and skills regarding credit analysis, auditing, finance, operations, human resource management. Other than this the Board of Directors have experience in microfinance and banking which is an asset to MAXIMA.

As of December 31, 2017, the Board of Directors consists of:



Dr. An Bunhak, Chairman, is a founder member at MAXIMA. He was appointed as Chairman of the Board of MAXIMA at the end of 2011. Prior to working at MAXIMA, Dr. Bunhak served as Chief of Finance at Pacific Commercial Bank (1995-2000). Dr. Bunhak earned his Doctoral Degree of Business Administration (DBA) in Management from Preston University, USA in 2009. He obtained a Master of Banking and Finance at Norton University, Cambodia and Ateneo De Zambanga University, the Philippines in 2003. In 1995, Dr. Bunhak graduated from the Faculty of Business, Cambodia and obtained Bachelor of Business Administration.



Mr. Chet Chanprasoeur joined the Board of MAXIMA in December 2000. Mr. Prasoeur is currently serving as a member of Risk Committee of the Board of MAXIMA. Mr. Prasoeur completed Master's degree in Law at Build Bright University in 2010. He graduated from the Faculty of Business, Cambodia and obtained a Bachelor's of Business Administration in 1995.



Mr. Muy Mara joined the Board of MAXIMA in December 2013 and is currently serving as a member of Audit Committee of MAXIMA. Mr. Mara served as a Senior Officer, HR & Training at Vattanac Bank Limited from 2007-2012 and as an Executive Secretary to HR Director at Thansur Bokor Highland Resort from 2012-2013. He has been serving as Senior HR Manager at Hong Leong Bank (Cambodia) Plc. since March 2013. He has more than 10 years of experience in Human Resources Management (HRM) in both local and international standard banks covering all aspects of HRM such as recruitment, learning and development, compliance, compensation and benefits, personnel budgeting, and engagement survey. Mr. Mara earned his Bachelor's Degree in Business Administration (BBA) from Pannasastra University of Cambodia in 2009. In 2006, he obtained a Bachelor's Degree in Tourism & Hotel Management from Institute of Technology and Management.



Mr. Taejun Shin is the founder and CEO of Gojo & Company, Inc., the majority shareholder of MAXIMA. After graduating from Korea University and Waseda Graduate School of Finance, Japan, Taejun started his career at Morgan Stanley and then worked for Unison Capital. While working in the finance industry, At the young age of 26, Taejun founded Living in Peace, an NGO, in 2007, and created the first microfinance investment fund, a first of its kind in Japan's investment history in 2009. Taejun co-founded Gojo in 2014 and has led the company's growth until today as the CEO. He is the Young Global Leader of the World Economic Forum and the youngest founding member of Endeavor Japan. The Harvard Business Review Japan Edition selected him as the 20 best CEOs under age 40. He is the author of 9 books, a finisher of the 1648 km ultra-marathon, and a Karate black-belt holder. Taejun is fluent in Japanese, Korean and English.



Mr. Sandhi Gandhi is the co-founder and Chief Investment Officer at Gojo & Company, Inc. Having qualified as a Certified Practicing Accountant, CPA, from India, Mr. Gandhi started his career in 1991 with AF Ferguson, one of the oldest Audit firms in India (a partner of Deloitte India). He then headed corporate banking at one of the largest finance companies in India for 8 years. 2003 onwards, Mr. Gandhi has worked exclusively in the field of Microfinance, gaining expertise in all aspects of microfinance operations. He has conducted close to 150 MFI ratings in 25 countries in Asia, Africa and Eastern Europe, most of them for Planet Ratings and M-CRIL. At M-CRIL, he led the ratings team as Director (Ratings). He has trained and mentored a large number of credit and rating analysts in various parts of the world. He has also held training workshops on Risk Management for many Cambodian MFI staff. The combined experience of 26 years, in auditing, corporate banking and working with MFIs has helped Mr. Gandhi carve a niche in the field. Mr. Gandhi leads deal sourcing, due diligence and operational improvement initiatives for partner MFIs. As MAXIMA director he is Chairing the SPM Board Committee and is a member of Risk Committee, and Internal Audit Committee.



Dr. Yean Rithy, an Independent Board member, joined the Board of MAXIMA in April 2012 and is currently serving as Chairman of Risk Committee of MAXIMA. Dr. Rithy served as a senior accountant at Shell Company of Cambodia from 1993-2002. He has been serving as Country Finance Manager of Dufry Cambodia Ltd. (2002-present). He is a Certified Management Accountant and Fellow Member of Institute of Public Accountants, Australia. He is also an Active Member of KICPAA. From 2003 until present he has been a part-time lecturer at Build Bright University and Western University. Dr. Rithy earned his PhD. in Marketing from Preston University, USA in 2007 and his DBA from European University, Switzerland in 2013. In 2005, he obtained Master of Business Administration in Finance and Accounts from Preston University, USA. In 1998, he graduated from the Irish University in Ireland and obtained Bachelor of Business Administration Finance and Banking.



Dr. Ao Veng, an Independent Board Member, joined the Board of MAXIMA in September 2013 and is currently serving as Chairman of Audit Committee of MAXIMA. Dr. Veng served as a professor at Norton University from 1999-2006, and as a Vice Rector at Western University, Cambodia, from 2006-2012. He has been serving as a Professor at Royal University of Law and Economics, Financial Institute of Cambodia, Western University since 2010. Dr. Veng earned his Doctor of Philosophy in Business Administration (DBA) from Western University, Cambodia in 2010. In 2002, he obtained Master of Business Administration in Finance from Norton University and Ateneo de Zamboangan University. In 1999, he graduated with Associate Degree in Banking from Institute for Banking Studies of National Bank of Cambodia. In 1996, he successfully completed his Bachelor's Degree of Science in Mathematics from Royal University of Phnom Penh, Cambodia.

BOARD COMMITTEES

MAXIMA Microfinance Plc. has three Board Committees to guide and provide governance including Internal Audit Committee, Risk Committee, and Social Performance Management Committee. Each committee plays an important role in shaping MAXIMA's operations keeping the clients' interest at the center of all decisions..

AUDIT COMMITTEE

The Audit Committee is the responsibility of the Board of Directors and is required to perform the following general functions:

- Establish and monitor compliance with a corporate code of conduct;
- Monitor procedures for compliance with government regulation;
- Review the findings of audits or examinations conducted by other agencies;
- Discuss disagreements between internal or external auditors and management;
- Inquire about the external auditor's opinion on the competence of financial and accounting personnel and the internal auditors;
- Review the adequacy of internal control structures over financial reporting;
- Oversee the company's internal controls for safeguarding its assets;
- Evaluate the internal auditor's objective;
- Review the internal auditor's work and assess their performance and capacity building;
- Ensure that the internal auditor's involvement in auditing the financial reporting process is well-coordinated with the work of the external auditors;

Achievement of Audit Committee:

- The Audit Committee met 4 times during the year 2017;
- In the meeting held in 2017, the committee approved an internal audit plan for the year 2018 and made suggestions on audit sampling
- All key operational, business and management process were audited according to risk based methodologies;
- Internal Audit discussed the result of all assessments with management and reported its observation/findings, recommendations and opinions, via a structured process, to the Board Audit Committee;

RISK COMMITTEE

The Risk Committee has been formed effectively since February 2014, and the Committee is the responsibility of the Board of Directors and is required to perform the following general functions:

- Critically assesses MAXIMA Business Strategies and processes and plan from the risk perspectives;
- Analyzes future risks including trends and provides comments to management;
- Reviews all policies and procedure for risk mitigation;
- Sets out the nature, role, responsibility and authority of the risk management function with the outline of the scope of risk management framework;
- Reviews critical risk management activities of MAXIMA as reported by the management and finds out that all activities that are required to follow the policy are being complied with;
- Suggests or recommends to the management for any pre-emptive action for any external factors influencing the company operations such as political, economy, regulatory framework;
- Reviews and estimates the integrity of the risk control system and ensures that the risk policy and strategies are effectively managed;
- Reviews and approves the risk policy;
- Through report from Risk and Compliance Unit, does suggestion or recommends to the management for any action to mitigate risk, risk acceptance or risk transfer.

SOCIAL PERFORMANCE MANAGEMENT COMMITTEE

The Social Performance Management (SPM) Committee at MAXIMA performs the following functions:

- Streamline and monitor SPM process at MAXIMA
- Develop awareness of SPM at all levels of the institution
- Fill the gaps of the Client Protection Principle (CPP) Smart Self-Assessment Action Plan
- Follow the progress of the institution to see if the institution is fulfilling its responsibility towards clients
- Follow the progress of the institution to see if the institution is fulfilling its responsibility towards staff

- Plan and arrange social events, activities, workshops for the clients
- Arrange training to enhance the institution's awareness for social performance management and client protection principles

Achievement of SPM Committee in year 2017:

- Attend the Board of Directors Meeting 4 times during the year
- Continued work on the gaps in Client Protection Principles version 2.0 to shape and better protect clients
- SPM Committee this year worked with the field staff and clients in an effort to be ready for the Smart Campaign Certification
- Participated in the Voice of Client Project by MIX using the Interactive Voice Response (IVR)
- Facilitated and trained staff on topic of "Client Complaint Resolution Policy". The training covered how complaints mechanism works, authority level to solve complaint, how to manage, and investigate the complaint.
- Arranged the MAXIMA Cleanliness and Health Promotion Project (MCHPP) plus financial literacy training at operation area of MAXIMA 3 times during the year
- Arranged the MAXIMA Green Cambodia Campaign by planting trees at school in MAXIMA operation area. This year the stress was on maintenance and post planting care of the saplings planted during the earlier year. There were some interesting learnings that came from this project. MAXIMA continues to learn and do the good work for betterment of clients

MANAGEMENT TEAM

Management Team at MAXIMA consists of Chief Executive Officer, Chief Finance Officer, and Head of all department. The Chief Executive Officer, and Chief Finance Officer worked closely with Head of Credit Department, Head of IT Department, Head of Marketing and SPM Department, Head of Human Resource Department, and Head of Admin Department.

Mr. Pa Ponnak Rithy is the Chief Executive Officer at MAXIMA. He joined MAXIMA in December 2000. Prior to this, he was an Accounting and Administration Assistant in LWS (1998-2000), a Chief of Accounting at Pacific Commercial Bank (1995-1998), a Deputy Chief of Credit Office of the National Bank of Cambodia in Kampot province (1980-1995). Mr. Rithy completed his degree in Accounting/Finance and Banking in Cambodia and received Bachelor of Business Administration in 1986. Mr. Rithy is well versed in English and Khmer. Mr. Rithy is a man of heart, leading his teams with affection, transparency and some sternness whenever needed. To staff who knows him for many years Mr. Rithy is lovingly referred to as “Pu”, a father figure.



Ms. Sreng Sivechheng is the Chief Financial Officer at MAXIMA. She has been with MAXIMA since the inception of the Company in 2000. Before MAXIMA, from 1995 to 2000, she worked as Chief of Remittance at Pacific Commercial Bank. She completed her Master of Financial Management at Royal University of Law and Economics, Phnom Penh in September 2016. Ms. Sivechheng obtained Bachelor of Business Administration specializing in Management at the National Institute of Management, Cambodia in 2001. Ms. Sivechheng is well versed in English, Thai and Khmer. Bong Chheng as she is lovingly called by all staff, she is a strong pillar at MAXIMA, a very caring person and cared for like an older sister.



Mr. Ngory Sorn is the Head of Credit Department at MAXIMA. He joined MAXIMA Microfinance Plc. in 2015 as Deputy Head of Credit Department, and was promoted in charge of Credit Department in 2017. Prior to joining with Maxima, he served in various positions including English Teacher, and Branch Manager of Training Center. He also worked as Credit Officer, Trainer of Credit Product and Financial Service at Microfinance Institution Amret Mr. Sorn obtained Bachelor Degree of Banking and Finance from National University of Management, and Master Degree of Business from Norton University in Phnom Penh. Besides these, he attended many short course trainings with both local and international facilitators. He is well versed in English and Khmer. Mr. Sorn supports his teams to do well for themselves, for the institution and most of all for the clients.



Ms. Lay Sineath is the Head of the Admin at MAXIMA. She is the first staff of MAXIMA. Sineath joined MAXIMA in December 2001. Ms. Sineath graduated with a Bachelor's Degree in Business Administration specialize in Accounting at the National Institute of Business, Cambodia in 2006. She is well conversed in English and Khmer. Ms. Sineath has undying energy to do as much work for MAXIMA as needed and is loved by everyone for her ever helpful nature.



Ms. Sim Soupheakna is Head of Human Resource Department, and Executive Assistant to CEO, at MAXIMA. She joined MAXIMA in October 2015. Prior to joining MAXIMA, she worked as Staff Capacity Development Officer at Microfinance Institution Amret, and as Office Manager at AZISAFE. She holds a Master Degree of Management from Paññasatra University of Cambodia (PUC), Bachelor Degree of Finance and Banking from Royal University of Law and Economics (RULE), and Bachelor Degree of English for Business from Cambodian Mekong University (CMU). She is well versed in English and Khmer. Ms. Soupheakna has worked gently and silently to develop bonds of trust and respect from the staff. She is a keen learner and upgrades her skills regularly. Ms. Soupheakna cares for her staff and wishes to provide them good opportunities to learn and grow with MAXIMA.



Mr. Khean Darith is the Head of IT Department at MAXIMA. He joined MAXIMA Microfinance Plc. in 2009. Mr. Darith holds a Bachelor's Degree in Computer Science from the Cambodian University for Specialties and Associate Degree in Electronic from Preah Kossamak Polytechnic Institute. In 2015, Mr. Darith completed a course on IT Assurance and Security Audit at Sunrise Institute. He is well conversed in English and Khmer. Mr. Darith is a person who works hard to keep MAXIMA's and clients' data organized and safe and always greets you with a hundred watt smile!!! He is an asset to MAXIMA very helpful and a very gentle soul.



Mr. Khiev Sengdy was a young lad when he joined MAXIMA in June 2006. He is currently serving as Head of Marketing Department and SPM Department. Before this, Mr. Sengdy was Deputy Credit Manager in 2014 and Branch Manager (2011-2013) at MAXIMA. Mr. Sengdy obtained Master of Business Administration at Norton University in 2017. He obtained Bachelor of Business Administration specializing in Management at Human Resources University in 2009. Mr. Sengdy is well conversed in English and Khmer and over the past few years has worked diligently on his skills, including English, personality and the management of social performance at MAXIMA.



Mr. Tann Hokheng is the Head of Internal Audit Department. He joined MAXIMA in March 2012, prior to joining MAXIMA he worked as Head of Internal Audit Department at PHSME Specialized Bank Ltd. Mr. Hokheng also worked as Senior Internal Auditor at Samic Microfinance institution, and Accountant at Riverside Hotel. He graduated with a Bachelor's degree in Accounting from the National University of Management (NUM), Cambodia. He is well conversed in English and Khmer.



STAFF AND STAFF CAPACITY DEVELOPMENT

In 2017, MAXIMA added operation in 4 provinces which makes the operation area covered: Phnom Penh, Kandal, Takeo, Kampong Speu, Kamport, Prey Veng, Tboung Khmom, and Kampong Cham. The operation was through 14 main branch offices. For its ongoing growth MAXIMA continues its quest for competent staff. As of 2017, MAXIMA has 161 staff including 35 female staff which represents 21.74% of total staff.

MAXIMA pays high attention to people development as a means to maintain great operation. By designing the good training program, MAXIMA is able to develop the potential staff and build them for future career advancement.

The following are numbers of staff participating and training courses provided within 2017:

Internal Training

No	Course Title	Participants
1	Customer Service Skill	67
2	Customer Relationship Management	
3	Administration Policy	
4	Office Administration and Filing System	
5	Communication and Correspondence Letter	
6	Client Complaint Resolution Policy	80
7	Advertising and Selling Skill	
8	Credit Policy	
9	Loan Assessment	
10	Internal control on credit operation	
11	Non-performing loan problem solving	

12	How to develop talent	11
13	Leadership	
14	Foundation training for new staff	42
15	Client Protection Principles	165
16	Problem Solving	7
17	Marketing Policy	15
18	Refresh on Social Performance Management	
19	Vision / Mission / Core Value	
20	HR Policy Refresh	
21	How to make presentation slides and chart	9
22	Financial Management Policy	29
23	Money Counterfeit	
24	Basic Accounting	
25	Taxation	
26	Training of Trainer	26
27	Social Performance Management	24
28	Client Protection Principles	
29	Client Complaint Resolution Policy	101
	Total	576

External Training

No	Course Title	Participants
1	IFRS 9 and IFRS 16	2
2	Management Strategies	1
3	Liquidity Risk	1
4	Get the best out of your people	1
5	Professional Tax Compliance	1
6	Credit Score-card Development and Validation	1
	Total	7

LOAN PRODUCTS AND LOAN CATEGORIES

MAXIMA provides high quality micro-finance services with an emphasis on lending to rural poor and low-income individuals and groups and small and medium enterprises to improve their living standards and realizing their business goals. The current loan products include individual loans, group loans, and small and medium businesses loans.

Loan products

(1) Individual loan

Individual loan allows clients to apply for loan individually to serve different purposes. Loan amount starts from USD 250 to USD 4,950 with loan term from 6 to 48 months.

The specific categories for individual loan cover: loan USD 250, Education Loan, and General Loan.

(2) Group loan

Group loan allows clients to request for loan as a group starts from 2 to 6 members. The amount varies from USD 50 to USD 500 with the loan term from 6 to 12 months. Clients could request group loan for general purpose or for education purpose.

(3) Small and medium enterprise loan

Small and medium enterprise loan (SME Loan) allows clients to borrow from amount USD 5,000 to USD 27,000. This kind of loan is provided for clients to improve the business including handicraft, grocery, wholesale and retail business, manufacturing product, etc.

Loan categories

MAXIMA provides loans to various business and other categories.

- Agriculture
 - Plantation: flower plantation, vegetables, food crops, seeds, fertilizer...
 - Livestock: animal husbandry, animal food, vaccination...
 - Fisheries: fishing tools, gasoline and boat...
- Trade and Commerce
 - Purchase of produce contracts, vendors – wholesale and retails
 - Processing, making doors/ windows, production of Khmer noodles and other foods services
 - Activities of laundry, haircut, public telephone service, motor-repaired, water supply tube network, battery charging
- Transportation
 - Motor taxi, motor trailer, car taxi, etc.
- Household Business
 - Handicraft and grocery shops at home

- Family/Consumption
 - House repair, education and other consumption...
- Miscellaneous
 - All rural small business activities other than agriculture, trade/commerce, services and household/family

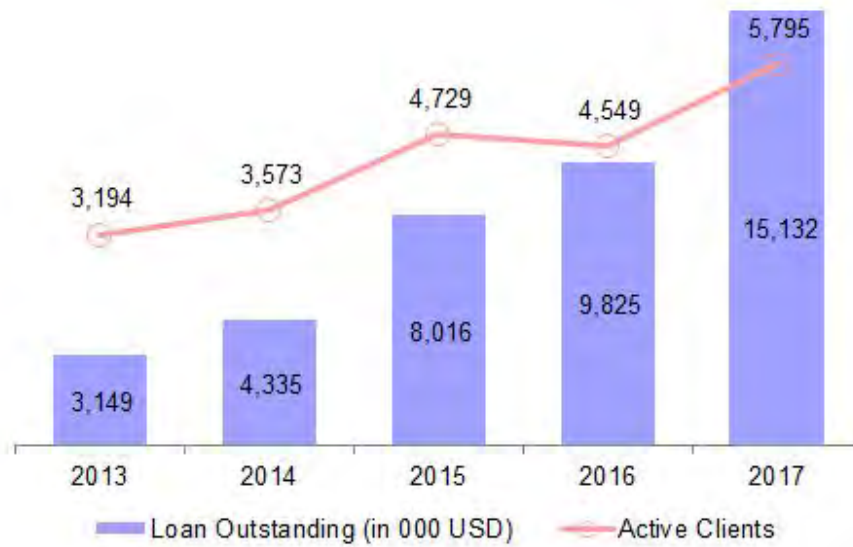
Service Outreach

In 2017, MAXIMA has 14 main branch offices operated in 6 provinces, 39 districts, 223 communes, and 1,096 villages. The following table informs the number of branch, province, district, commune, and village in MAXIMA operation areas.

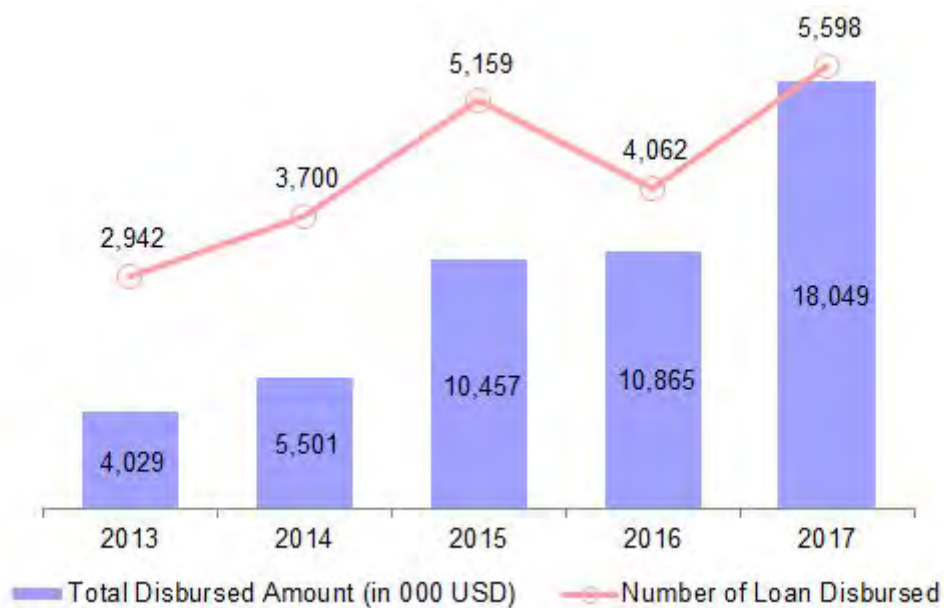
Productivity	2016	2017	Increment	% Change
Number of Branches	10	14	4	40%
Number of Provinces Covered	4	6	2	50%
Number of Districts Covered	23	39	16	70%
Number of Communes Covered	161	223	62	39%
Number of Villages Covered	852	1,096	244	29%

LOAN PERFORMANCE

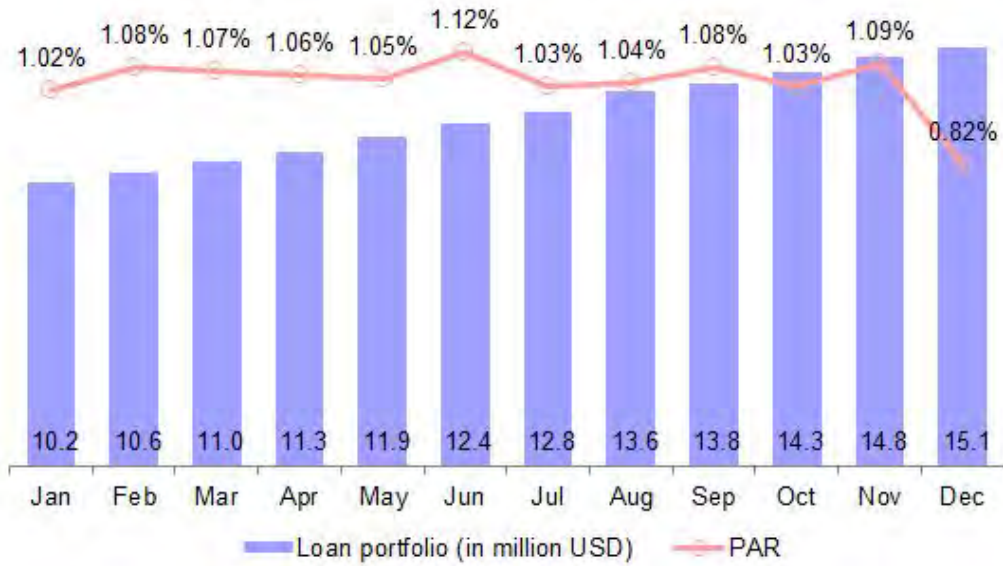
In 2017, MAXIMA's total loan portfolio was 15,131,512 an increase of 54% as compared to the loan portfolio in 2016. The active clients increased to 5,795.



MAXIMA disbursed loans total of USD 18,049,050 in 2017, and number of loans is 5,598. The average loan disbursed amount is USD 3,224.



Monthly loan portfolio and PAR



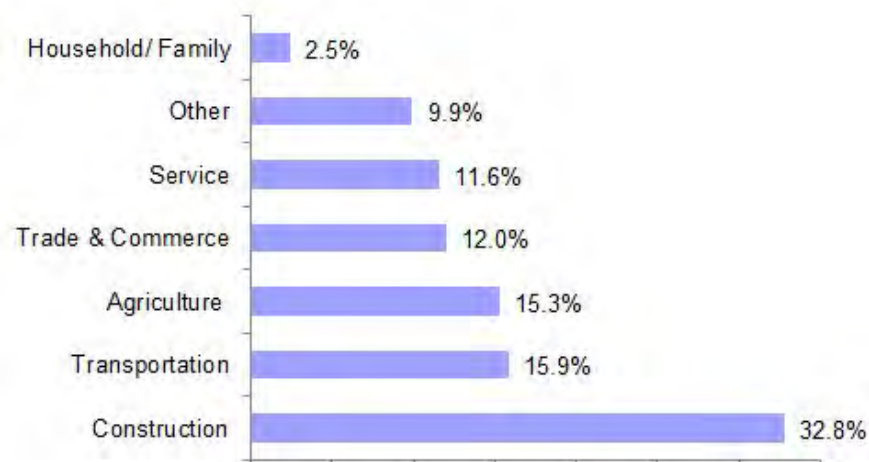
PAR and Write-Off

It is remarked that in 2017, MAXIMA prepared the new loan classification as per requirement from National Bank of Cambodia. Portfolio at risk (PAR) in 2017 is 0.82% decreased from 1% in 2016.



Loan distribution by category

Loan of Maxima has been categorized into different sectors. The high sectors of loan utilization are construction 32.8% followed by transportation 15.9%, agriculture 15.3%, trade and commerce 12%, service 11.6%, other 9.9%, and household/family 2.5%.



Staff productivity

MAXIMA focuses on being sustainable both financially and socially. Therefore, while extending its businesses, and operation area, MAXIMA cares about the over-indebtedness and penetration rate. MAXIMA is able to maintain staff productivity at control level. The productivity table is mentioned as follows:

Productivity	2013	2014	2015	2016	2017
Borrowers per Credit Officer	89	81	95	76	84
Loan per Credit Officer (in USD)	87,478	98,521	160,322	163,755	219,297
Loan per total staff (in USD)	38,879	47,637	69,705	76,760	93,984



MAXIMA's management team, Branch Manager, and Credit Officer after the training on "Loan Assessment"

SOCIAL PERFORMANCE MANAGEMENT

MAXIMA Microfinance Plc. always pays attention to the social performance management tasks which enable MAXIMA to balance both financial and social sustainability. MAXIMA wishes to better serve the clients, and provide positive impact to the society as a whole. That is the reason that MAXIMA continues the mission of shaping the responsibility towards clients and staff.

Maxima participated in the **Voice of Client by MIX: Cambodia Chapter**. MAXIMA was among the 5 MFIs chosen for the project and in spite of the challenges faced due to the interest rate cap regulation and ensuing changes, which led to some MFIs dropping out of the project, MAXIMA continued participation and fully completed the administering of the survey and collected all the required data for study by MIX.

- Based on the findings of VoC and the gaps in the Self-Assessment, MAXIMA continued over the year to strengthen its complaints collection and resolution processes
- Cambodia introduced the interest rate cap last year- The interest rate cap is an important feature that needed to be conveyed in a timely manner to the clients. MAXIMA immediately addressed the concern and added the transparent clause in their initial Customer Transparency Form administered to the clients at the very beginning of the loan transaction.

- Since June 2017 based on the important need of the sector and responsibility towards its clients, MAXIMA began preparing a quarterly report to the Board titled: "Cambodia MF Sector Over-indebtedness Report and measures taken by MAXIMA to prevent over indebtedness for its clients".

Responsibility towards clients

MAXIMA adopted the Client Protection Principles based on Smart Campaign. In 2017, MAXIMA worked closely with the technical assistant with the aim of applying for the Smart Campaign Certification.

MAXIMA cares for its clients' satisfaction, and follows up on its clients' exits. Therefore, Marketing and SPM Department at MAXIMA are keen to assess the level of satisfaction of our clients. MAXIMA also pays attention when clients leave MAXIMA, the client exit survey is addressed to know what are the major reasons for the drop out and also to use the information and suggestions from the clients to improve operations. MAXIMA launched the complaint mechanism for clients since 2016, and this year, MAXIMA continues the task of upgrading the complaint system.

MAXIMA also initiates the two main program for our clients: MAXIMA Cleanliness and Health Promotion Project and MAXIMA Cambodia Green Campaign.

MAXIMA Cleanliness and Health Promotion Project

MAXIMA Cleanliness and Health Promotion Project (MCHPP) is a project being implemented by MAXIMA as part of MAXIMA's social responsibility towards clients, their families and the community as a whole. Being well aware of its responsibility towards the Sustainable Development Goal Number One; No Poverty by 2030, MAXIMA is determined to play an active role in the lives of its clients.



Image Credits: <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

It is now a well documented fact that handwashing with soap removes barriers to economic growth, and can lead to fewer missed work days, lower health systems costs, and more access to educational opportunities. Proper handwashing with soap can advance economic productivity; and lack of access to good hygiene practices perpetuates poverty. Currently, people who are poor are most likely to suffer the human costs of poor hygiene in loss of life, health, and productivity. Source of information: July 2017; Hygiene Matters documented in the Sustainable Development Goals, Global Handwashing Organisation.

Although cleanliness and sanitation are increasingly recognized as fundamental for promoting good hygiene behavior and children's well-being, many children are not aware of the right way and the number of reasons and the number of times in a day that they must wash their hands.

Objective of the MCHPP program are:

1. To increase knowledge on hygiene, especially hand sanitation of children in the target areas.
2. To improve health and sanitation practices through training of hand washing techniques.
3. To explain the reasons for washing hands properly.
4. To explain under what circumstances and how many times hands need to be washed.
5. To choose some volunteers to become Maxima ambassadors who will spread the information they learn, to the families in the entire community.
6. To ask the volunteer children to pass the information especially to all mothers in their community.

In 2017 MAXIMA arranged 3 events in operation location in Arey Khsat, Angtasom Commune, and Phnom Penh, and the events were attended by 318 people including clients, small kids, local authority, and other residents.



MAXIMA's staff teaching small kids to wash hands properly

Maxima Green Cambodia Campaign

As part of MAXIMA's commitment to the United Nations (UN) Sustainable Development Goals for business and realising the importance of all global stakeholders to unite to end extreme poverty, fight inequality and injustice, and protect our planet MAXIMA implemented the "MAXIMA Green Cambodia Campaign: Each One Plant One" in 2016. "Each One Plant One" is the slogan of the tree planting project wherein each member of MAXIMA staff and each client that MAXIMA has is involved in tree planting and caring activity.. In 2017, MAXIMA planted the trees at two schools in Angtasom Commune, and Pearang District. Besides that MAXIMA also planted the tree at clients' home as a symbol of relationship and information dissemination about caring for the environment.

MAXIMA has realised over the course of the two years of running this program that 1) it takes time for people to understand the value and the dire necessity of maintaining and increasing the tree cover on our planet. MAXIMA's efforts might be only a drop in the ocean but we must build the green ocean now drop by drop. MAXIMA is committed to play its role in the United Nations Sustainable Development Goal 13 which states that everyone, "Take urgent action to combat climate change and its impacts". 2) MAXIMA also learnt that trees need to be looked after for them to flourish. For the same 2017 was also a year of maintaining and learning from the saplings that did not make it.



Tree planting at school in Angtasom Commune with government official of Department of Forestry

Responsibility towards staff

MAXIMA create people value and provide motivation and social responsibility for the staff. During 2017, MAXIMA increased attention for caring on staff health by participated in the National Social Security Fund under the project health scheme. MAXIMA has prepared to register staff into new health scheme. Therefore, from 2018 staff will have access to health service covered as insurance. Likewise, MAXIMA visited staff who got accident, take maternity leave, or take sick leave by paying visit from representative department or respective branch manager.

Other than that MAXIMA consider in staff development by providing various training and also promotion opportunity. MAXIMA also improved its compensation aligning with the economic condition and ensure staff well-being to support their family, and the needful expenditure.

MAXIMA provided also the culture for respect, and build on good relationship. MAXIMA arranged the staff annual trip to Kampot Province for the celebration of good year performance 2017. At the trip, staff have fun with the team, have a chance to build good connection between management and staff at all level, and at the same time relax from work.

In addition, sport does better to shape good health and also to bring relationship. At MAXIMA, staff is invited to play football as a big group contained Board of Directors members, management staff, Branch Manager, and staff. It represents the good solidarity among the team.



Sport provides good relax from work and build strong relationship among the team

MAXIMA shares its Social Performance Management expertise in national media

In 2017, MAXIMA representatives joined the the financial literacy program broadcast by Cambodian national radio and television. As part of their dedication towards developing a responsible microfinance climate in Cambodia financial literacy and discussion programs were arranged. MAXIMA was invited to discuss and share their insights on various topics including:

- 1) how to calculate the payment capacity,
- 2) privacy of clients data, and
- 3) client protection principles.

Within the program the speaker representative from MAXIMA could share information about how MAXIMA is paying attention to over-indebtedness and at the same time protecting the client from harm.

MAXIMA understands that putting the clients at the center of operations and making them aware of financial literacy is a crucial part of MAXIMA's business. Only by doing this does any microfinance program have positive impact, not only on MAXIMA's clients but also benefit for Cambodian people as a whole.



MAXIMA's CEO and Head of Marketing and SPM Department, with the facilitator at radio station on topic of "Privacy of Client Data"

From National Media to the Clients' Businesses : MAXIMA SPM Committee with its agricultural clients

Agriculture is considered as the main sector in the economy of Cambodia. Majority of the Cambodian people are farmers. Some of MAXIMA's clients are farmers, and our loan for agricultural purposes is 15.3% of our loan portfolio. During free time from work, MAXIMA staff sometimes spend time with the clients who are farmer at harvest season. This kind of activity helps to develop good relationship between MAXIMA's staff and clients. Not only that, it also helps MAXIMA to gain insight into the everyday lives of the people MAXIMA wishes to support through loans and suggestions on business. This insight helps MAXIMA to understand better the real needs of the clients and how best we can support them to lead more fulfilling and better lives.



MAXIMA's staff: social activity with clients harvest



MAXIMA's hands-on CEO and Department Heads understanding the agricultural clients' life and needs

SUCCESS STORY OF THE CLIENTS



Ms. At Harn with her traditional weaving equipment (wooden looms = Key Tambanh)

Weaving business, the traditional handicraft of Cambodia has served as one of the main tourist attraction especially at Koh Dach and Koh Okhna Tey known as silk island in Cambodia. Some Cambodian people are still running this traditional business as they see the opportunity for both local and external market. Cambodia has a long silk-weaving history that stretches back to pre-Angkorian times. While the art is dwindling, countrywide efforts are being made to rekindle the craft.

Our client, Ms. At Harn lives in Ronah Village, Sangkat Koh Dach, Khan Chhroy Changva, Phnom Penh. Ms. At Harn has her weaving business for almost 21 years in which she has lots of experience attached to this. Ms. At Harn has long relationship with MAXIMA as she has been our clients for 16 cycles. With the loan provided Ms. At Harn is keen to expand her business, and with the income she earned, she could provide a good standard of living for her family and good education for her children. In the future, she wishes to better running her business and support her children for study until at university level.

FINANCIAL STATEMENTS AND EXTERNAL AUDIT REPORT

REPORT OF THE BOARD OF DIRECTORS
REPORT OF THE INDEPENDENT AUDITORS
BALANCE SHEET
INCOME STATEMENT
STATEMENT OF CHANGES IN EQUITY
STATEMENT OF CASH FLOWS

FINANCIAL STATEMENTS AND EXTERNAL AUDIT REPORT

Report of the Board of Directors

The Board of Directors presents its report together with the audited financial statements of Maxima Microfinance Plc. ("the Company") for the year ended 31 December 2017.

Principal Activities

The Company is principally engaged in the provision of micro-finance services. Those services 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 2017 were as follows:

	Year ended 31 December 2017		Year ended 31 December 2016	
	USD	KHR' 000	USD	KHR' 000
Profit before income tax	712,824	2,877,671	526,682	2,126,215
Income tax expense	(187,463)	(756,789)	(133,168)	(537,599)
Net profit for the year	<u>525,361</u>	<u>2,120,882</u>	<u>393,514</u>	<u>1,588,616</u>

Reserves and Provisions

There were no material movements in reserves and provisions during the year other than those disclosed in the financial statements.

Dividends

The Company has declared and paid dividends amounting to US\$74,768 in respect of the Company's net profit for the year ended 31 December 2016. (2016: US\$52,711 in respect of the Company's net profit for the year ended 31 December 2015).

Share capital

As at 31 December 2017, the share capital of the Company was US\$5,095,290 (2016: US\$5,095,290).

Bad and doubtful loans

Before the Company's financial statements were drawn up, the Board of Directors took reasonable steps to ascertain that appropriate action had been taken in relation to the writing off of bad loans or making allowance for bad and doubtful loans. The Board of Directors has satisfied itself that all known bad loans have been written off and that adequate allowance has been made for bad and doubtful loans.

At the date of this report and based on the best of knowledge, the Board of Directors is not aware of any circumstances which would render the amount of the allowance for bad and doubtful loans in the financial statements of the Company inadequate to any material extent.

Assets

Before the Company's financial statements were drawn up, the Board of Directors took reasonable steps to ensure that any assets, which were unlikely to be realized in the ordinary course of business at their value as shown in the accounting records of the Company, had been written down to an amount which they might be expected to realize.

At the date of this report, the Board of Directors is not aware of any circumstances which would render the values attributable to the assets in the Company's financial statements misleading in any material respect.

Valuation methods

At the date of this report and based on the best of knowledge, the Board of Directors is not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the Company's financial statements misleading or inappropriate in any material respect.

Contingent and other liabilities

At the date of this report, there is:

- i) No charge on the assets of the Company which has arisen since the end of the year which secures the liabilities of any other person; and
- ii) No contingent liability in respect of the Company that has arisen since the end of the 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 after the end of the year which, in the opinion of the Board of Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they become due.

Change of circumstances

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

Items of an unusual nature

The Company's financial performance for the year ended 31 December 2017 was not, in the opinion of the Board of Directors, materially affected by any items, transactions or events of a material and unusual nature.

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

Events after the reporting date

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

The Board of Directors

The members of the Board of Directors holding office during the year and at the date of this report are as follows:

· Mr. An Bunhak	Non-Executive Director/Chairman
· Mr. Chet Chanprasoeur	Non-Executive Director
· Mr. Muy Mara	Non-Executive Director
· Mr. Taejun Shin	Non-Executive Director
· Mr. Sanjay Gandhi	Non-Executive Director
· Mr. Yean Rithy	Non-Executive Director/Independent Board Member
· Mr. Ao Veng	Non-Executive Director/Independent Board Member

Directors' interests

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

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	Holding %	Number of shares of US\$10 each	Holding %	Number of shares of US\$10 each
Mr. An Bunhak	19.63%	100,000	19.63%	100,000
Mr. Chet Chanprasoeur	1.08%	5,500	1.08%	5,500

Directors' benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the objective of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company other than as disclosed in the financial statements.

Board of Directors' responsibility in respect of the financial statements

The Board of Directors is responsible to ensure that the financial statements are properly drawn up, so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

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

The Board of Directors confirm that the Company has complied with the above requirements in preparing the financial statements.

Statement of the Board of Directors

The accompanying financial statements, together with the notes thereto, present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,



Mr. An Bunhak

Chairman

Phnom Penh, Kingdom of Cambodia

Date: 24 April 2018

Independent Auditor’s Report

To the shareholders of Maxima Microfinance Plc.

Opinion

We have audited the financial statements of Maxima Microfinance Plc. (“the Company”), which comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 9 to 50.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia.

Basic 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 *Auditor’s 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.

Information other than the financial statements and auditor’s report thereon

Management is responsible for the other information. The other information comprises the corporate information and the Report of the Board of Directors as set out on pages 1 and pages 2 to 5, respectively, but does not include the financial statements and our auditor’s report thereon.

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, 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 the Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia, 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.

The Board of Directors is 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 auditor's 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 auditor's 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 auditor's 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 the Board of Directors 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 Deloitte (Cambodia) Co., Ltd.

The image shows a handwritten signature in blue ink, which appears to be 'Ung Kimsopheaktra', written over a blue circular official stamp. The stamp contains text in Khmer and English, including 'Deloitte (Cambodia) Co., Ltd.' and 'KINGDOM OF CAMBODIA'.

Ung Kimsopheaktra

Director

Phnom Penh, Kingdom of Cambodia

Date: 24 April 2018

FINANCIAL STATEMENTS

BALANCE SHEET

As at 31 December 2017

	2017		2016	
	US\$	KHR' 000	US\$	KHR' 000
ASSETS				
Cash on hand	10,288	41,533	10,235	41,319
Balances with the NBC	255,965	1,033,331	255,580	1,031,776
Balances with other banks	1,070,755	4,322,638	1,061,245	4,284,246
Loans to customers	15,007,833	60,586,622	9,727,358	39,269,344
Equity investment	10,000	40,370	10,000	40,370
Other assets	400,416	1,616,477	162,139	654,555
Property and equipment	53,841	217,356	42,325	170,866
Deferred tax assets	58,631	236,693	49,717	200,708
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	16,867,729	68,095,020	11,318,599	45,693,184
	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES AND EQUITY				
Liabilities				
Amounts due to shareholders	3,480,000	14,048,760	520,000	2,099,240
Borrowings	4,863,901	19,635,568	2,889,834	11,666,260
Provident fund obligations	127,666	515,388	92,873	374,928
Other liabilities	192,145	775,688	91,232	368,304
Current income tax liability	164,844	665,475	136,080	549,355
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	8,828,556	35,640,879	3,730,019	15,058,087
	<hr/>	<hr/>	<hr/>	<hr/>
Equity				
Share capital	5,095,290	20,569,686	5,095,290	20,569,686
Share premium	1,538,174	6,209,608	1,538,174	6,029,608
Reserves	87,537	353,387	67,862	273,959
Retained earnings	1,318,172	5,321,460	887,254	3,581,844
	<hr/>	<hr/>	<hr/>	<hr/>
Total Equity	8,039,173	32,454,141	7,588,580	30,635,097
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND EQUITY	16,867,729	68,095,020	11,318,599	45,693,184
	<hr/>	<hr/>	<hr/>	<hr/>

INCOME STATEMENT

For the year ended 31 December 2017

	2017		2016	
	US\$	KHR' 000	US\$	KHR' 000
Interest income	2,534,604	10,232,196	1,926,666	7,777,951
Interest expense	(442,426)	(1,786,074)	(223,868)	(903,755)
Net interest income	2,092,178	8,446,122	1,702,798	6,874,196
Other operating income	56,033	226,205	63,140	254,896
Total operating income	2,351,957	9,494,850	1,765,938	7,129,092
Personnel expenses	(916,942)	(3,701,695)	(641,270)	(2,588,807)
Other Operating expenses	(655,474)	(2,646,148)	(501,396)	(2,024,136)
Depreciation expenses	(25,661)	(103,593)	(21,273)	(85,879)
Allowance for bad and doubtful loans	(41,056)	(165,743)	(54,097)	(218,390)
Profit before income tax	712,824	2,877,671	526,682	2,126,215
Income tax expense	(187,463)	(756,789)	(133,168)	(537,599)
Net profit for the year	525,361	2,120,882	393,514	1,588,616

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share Capital US\$	Share Premium US\$	Reserves US\$	Retained Earnings US\$	Total US\$
Year ended 31 December 2017					
At 1 January 2017	5,095,290	1,538,174	67,862	887,254	7,588,580
Transfer to reserves	-	-	19,675	(19,675)	-
Dividends paid	-	-	-	(74,768)	(74,768)
Net profit for the year	-	-	-	525,361	525,361
At 31 December 2017	5,095,290	1,538,174	87,537	1,318,172	8,039,173
<i>At KHR' 000 equivalent</i>	20,569,686	6,209,608	353,387	5,321,460	32,454,141
At 1 January 2016	3,075,000	696,017	53,990	560,323	4,385,330
Additional share capital	2,020,290	842,157	-	-	2,862,447
Transfer to reserves	-	-	13,872	(13,872)	-
Dividends paid	-	-	-	(52,711)	(52,711)
Net profit for the year	-	-	-	393,514	393,514
At 31 December 2016	5,095,290	1,538,174	67,862	887,254	7,588,580
<i>At KHR' 000 equivalent</i>	20,569,686	6,209,608	273,959	3,581,844	30,635,097

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017		2016	
	US\$	KHR' 000	US\$	KHR' 000
Cash flows from operating activities				
Profit before income tax	712,824	2,877,671	526,682	2,126,215
<i>Adjustments:</i>				
Depreciation	25,661	103,593	21,273	85,879
Allowance for bad and doubtful loans	41,056	165,743	54,097	218,390
Provident fund contributions				
by the company	18,622	75,177	12,893	52,049
Provident fund contributions by staff	20,178	81,459	14,715	59,404
Loss on disposal of property and equipment	3,080	12,434	285	1,151
Effect on exchange loss for borrowing				
obtained	176,268	711,594	-	-
Net interest income	(2,092,178)	(8,446,122)	(1,702,798)	(6,874,196)
	<u>(1,094,489)</u>	<u>(4,418,451)</u>	<u>(1,072,853)</u>	<u>(4,331,108)</u>
<i>Changes in working capital:</i>				
Loans to customers	(5,321,531)	(21,483,021)	(1,819,175)	(7,344,010)
Other assets	(197,356)	(796,726)	(6,327)	(25,542)
Balances with the NBC	-	-	(101,015)	(407,798)
Other liabilities	15,838	63,937	25,234	101,870
	<u>(5,503,049)</u>	<u>(22,215,810)</u>	<u>(1,901,283)</u>	<u>(7,675,480)</u>
<i>Cash used in operations</i>				
Interest received	2,493,683	10,066,998	1,909,976	7,710,573
Interest paid	(357,351)	(1,442,626)	(228,201)	(921,247)
Income tax paid	(167,613)	(676,654)	(103,734)	(418,775)
Provident fund paid	(4,007)	(16,176)	(10,270)	(41,460)
	<u>(4,632,826)</u>	<u>(18,702,719)</u>	<u>(1,406,365)</u>	<u>(5,677,497)</u>
Net cash used in operating activities				

Cash flows from investing activities

Purchase of property and equipment	(40,257)	(162,518)	(25,113)	(101,381)
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Net cash used in investing activities	(40,257)	(162,518)	(25,113)	(101,381)
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Cash flows from financing activities

Dividend paid	(74,768)	(301,838)	(52,711)	(212,794)
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Proceeds from borrowings	6,165,265	24,889,175	3,668,185	14,808,463
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Repayments of borrowings	(1,407,466)	(5,681,940)	(1,369,045)	(5,526,835)
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Net cash generated				
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from financing activities	4,683,031	18,905,397	2,246,429	9,068,834
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Net increase in cash

and cash equivalents	9,948	40,160	814,951	3,289,956
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Cash and cash equivalents at				
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beginning of the year	1,072,295	4,328,855	257,344	1,042,243
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Currency translation differences	-	-	-	(3,344)
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Cash and cash equivalents

At the end of the year	1,082,243	4,369,015	1,072,295	4,328,855
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IMPORTANT EVENT OF THE YEAR

Visit of Ms. Lalaine, Technical Assistance, on the Client Protection Principle gap analysis



Staff Annual Trip



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