



MAXIMA Microfinance Plc.

**ANNUAL REPORT 2016**



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## VISION AND MISSION

The Vision and Mission of MAXIMA guide us constantly to stay on the path of 'smart' microfinance even in the face of difficulties. Our Vision which talks of the highest quality of service helps to guide us all on the codes of conduct we follow at MAXIMA. The principles of caring for our clients; of ethical behavior; of honesty and integrity; principles of empathy and patience guide our everyday operations.

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

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.



Our client who now runs a weaving factory with several employees



OUR SLOGAN: To improve lives of clients

MAXIMA continues to honor its commitment to strive to improve the lives of its clients through:

Providing appropriate and good financial services to clients;

- Regularly taking client feedback to improve its own services and products;
- Making sure the clients are not over-indebted through strict procedures of loan assessment;
- Providing information to clients to improve their literacy levels especially about financial matters and hygiene matters;
- Developing long-term empathetic relationships with clients.
- Having ethical and respectable behavior towards clients;
- Diligently following the client protection principles.



Our client running a grocery shop

## PERFORMANCE HIGHLIGHTS

INDICATORS	YEAR	
	2015	2016
<b>Operational Performance</b>		
Number of Branches	2	2
Number of Service Offices	8	8
Number of Provinces Covered	4	4
Number of Districts Covered	23	23
Number of Communes Covered	139	161
Number of Villages Covered	725	852
Loan Outstanding (in USD)	8,016,117	9,825,293
Active Borrowers	4,729	4,549
Borrowers per Credit Officer	95	76
Average Loans Portfolio per Credit Officer (in USD)	160,322	163,755
Average Loan Size (in USD)	1,695	2,160
Amount of Loans Disbursed (in USD)	10,457,470	10,864,960
No. of Loan Disbursed	5,159	4,062
Average Loan Disbursed (in USD)	2,027	2,675
PAR >30 days	0.67%	1.00%
Total Staff	108	128
<b>Financial Performance</b>		
Total Income (in USD)	1,538,085	1,989,806
Total Expense (in USD)	1,260,656	1,596,292
Profit/Loss (in USD)	277,429	393,514
Total Borrowings (in USD)	3,973,869	3,409,834
Total Assets (in USD)	8,589,873	11,318,600
Total Equity (in USD)	4,385,330	7,588,581
Paid-up Capital (in USD)	3,075,000	5,095,290
Return on Equity	9.0%	6.6%
Return on Assets	4.0%	4.0%
Operating-expense Ratio	13.2%	10.7%
Operational Self-Sufficiency	135.1%	154.3%
<b>Social Performance</b>		
Borrowers from Rural Areas	3,072	3,152
Women Borrowers	3,951	3,976
Unsecured Borrowers (without Collaterals)	1,123	733
Client's Retention Rate	66.24%	60.66%

## CAMBODIA KEY ECONOMIC INDICATORS 2016

	2013	2014	2015	2016P	2017F
<b>Output, Domestic Demand and Prices</b>					
Real GDP (% change yoy)	7.4	7.1	7.0	7.0	6.9
Domestic Demand (% change yoy)	11.3	10.1	8.5	9.2	10
Consumer price index (% change yoy)	2.2	1.7	1.3	3.2	3.4
<b>Trade &amp; Investment</b>					
Export (Million USD)	6,886	7,636	8,209	9,018	9,937
Import (Million USD)	8,888	9,640	10,542	11,450	12,559
Foreign Direct Investment (Million USD)	1,826	1,677	1,654	1,701	1,799
<b>Public Sector</b>					
Government Revenue (% of GDP)	15.1	18.1	18.5	18.8	18.2
Government Expenses (% of GDP)	21.5	21.6	20.5	21.7	23.2
<b>Financial Market</b>					
Domestic credit (% change yoy)	28.6	28.4	27	25.8	23
Short-term interest rate (% p.a)	11.3	11.5	11.7	12	11.8
Exchange Rate (KHR/USD)	4,027	4,038	4,060	4,058	4,062

P= projection

F= forecast

Source: World Bank Update Report: "Enhancing Export Competitiveness: The Key to Cambodia's Future Economic Success": Cambodia Economics Update, October 2016.

## OVERVIEW

MAXIMA Microfinance Plc. was founded in March 2000 by a group of friends from the financial services background. They began their micro credit operations in Koh Dach Commune, Kandal province. In December of 2001, MAXIMA registered with the Ministry of Interior as MAXIMA Organization for Household Economic Development as an NGO and also worked to expand its credit activities to many communes and districts within the Kandal province. Less than a year later in May 2002, MAXIMA registered with the National Bank of Cambodia as a microfinance institution (MFI) for rural credit operator. As a registered MFI, MAXIMA has attracted a number of key investors.

In August 2005, MAXIMA 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 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 Kiva from USA. In June 2008, the National Bank of Cambodia granted MAXIMA a permanent license to operate as an MFI in Cambodia thus making it the 13th permanent MFI operating in Cambodia.

In February 2012, MAXIMA transformed from a private limited company to a public limited company with the official name MAXIMA Mikroheranhvatho Plc. In 2014, Gojo & Company Inc, joined as shareholder. In July 2015, MAXIMA transformed into a corporation and was renamed MAXIMA Microfinance Plc. as per requirement from National Bank of Cambodia to have all microfinance include the term "Microfinance" into its name.

In 2016, MAXIMA built 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.

## CORPORATE HISTORY

- 2000** Founded in March 2000 and 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.
- 2005** Obtained a full license as an MFI from the National Bank of Cambodia with the official name MAXIMA MIKROHERANHVATHO CO., LTD.
- 2006** Board 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** Had 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** Lendahand and Oikocredit



## MESSAGE FROM CHAIRMAN



Mr. AN BUNHAK  
Chairman

I am happy to say that 2016 has been a good year again for both Cambodian microfinance sector and MAXIMA. During the year, MAXIMA is aware of the systemic risk presented by the rapid increase in overall levels of private credit to the GDP, which is currently estimated at 63.1% (World Bank Country Report, 2016). The rapid increase is credited mainly to the booming real estate and construction sectors. Keeping in mind the risks involved in 2016, MAXIMA grew slowly and put more focus on staff capacity building, client satisfaction, and loan quality. Furthermore, MAXIMA strengthened on social performance management through providing more training on social performance management to all level of staff. MAXIMA also conducted self-assessment using Smart Campaign Self-Assessment tool. By doing so MAXIMA was able to identify lacking areas in client protection principles.

Based on this MAXIMA improved policy and procedures to ensure full adoption of client protection principles. Despite the gentle growth, MAXIMA maintained growth in loan portfolio by 23% and profit after tax increased 42% compared to the year 2015. Even though the growth is still lower compared to industry standards, MAXIMA is considered as an efficient microfinance institution in the market and among good players in the entire sector. Staff turn-over ratio was kept low at 10%, and the portfolio quality was better than the industry average, with the portfolio at risk (PAR) of 1%.

In the coming year, MAXIMA intends to further increase productivity of front line staff, as well as recruit more staff to expand the operation into rural area while focusing more on small and medium enterprise loan in order to assist clients to generate more income.

To conclude I would like to express my gratitude to the MAXIMA Board and its committees that provide the guidance and support to the management and keep MAXIMA's focus on balanced financial and social sustainability. My congratulations to MAXIMA's staff and management who strive to push MAXIMA forward to reach greater heights. Last but not the least, my thanks to all our stakeholders and clients for their continued confidence in us. Let us move into the next year with the goal "to improve our clients' lives".

On behalf of the Board of Directors



Mr. An Bunhak, Chairman

## MESSAGE FROM CEO



Mr. PA PONNAK RITHY  
Chief Executive Officer

I would like to pay special congratulations to all staff for their effort toward achieving the amazing result for this year. MAXIMA ended the financial year with the total loan portfolio of USD 9.8 million, and active clients over 4,500 respectively.

The main achievement of MAXIMA is as follows:

- (1) Increase of loan portfolio of 23% despite operating in area with high competition
- (2) Increase of profit after tax of 43% despite some loss in exchange rate
- (3) MAXIMA loans were instrumental in creating 781 jobs for villagers in its operational areas

In addition to that, social performance management concept is fully adopted at MAXIMA, and most of the staff understand social performance and apply the concept to our services. Based on the client satisfaction survey results, majority of clients are satisfied with products and services provided by MAXIMA, and the clients' standard of living has also improved. The year saw an increase in the loan portfolio by 23%, and also a drop in the number of clients by around 4%. This drop in the number of clients is deliberate, as Maxima decided to have more focus on the quality of its clients to prevent them from getting over-indebted. During this year, MAXIMA improved branding visibility to the world through its social mission which captured the attention and interest from social lenders, and investors including Oikocredit, Lendahand, and some local banks.

While having more progress in operations, MAXIMA is currently developing the system with third party agent to facilitate loan payment for clients. MAXIMA is committed to being the best microfinance institution in providing best financial service to the clients in line with our mission.

I take this opportunity to thank our Shareholders, the Chairman, Directors, members of the Committees for their guidance and support throughout the year. Thanks are due also to the country regulators, Cambodian Microfinance Association and National Bank of Cambodia, who work hard to build a good microfinance sector in Cambodia, thank you for your support in helping us make the lives of our clients better.



Mr. Pa Ponnak Rithy, Chief Executive Officer

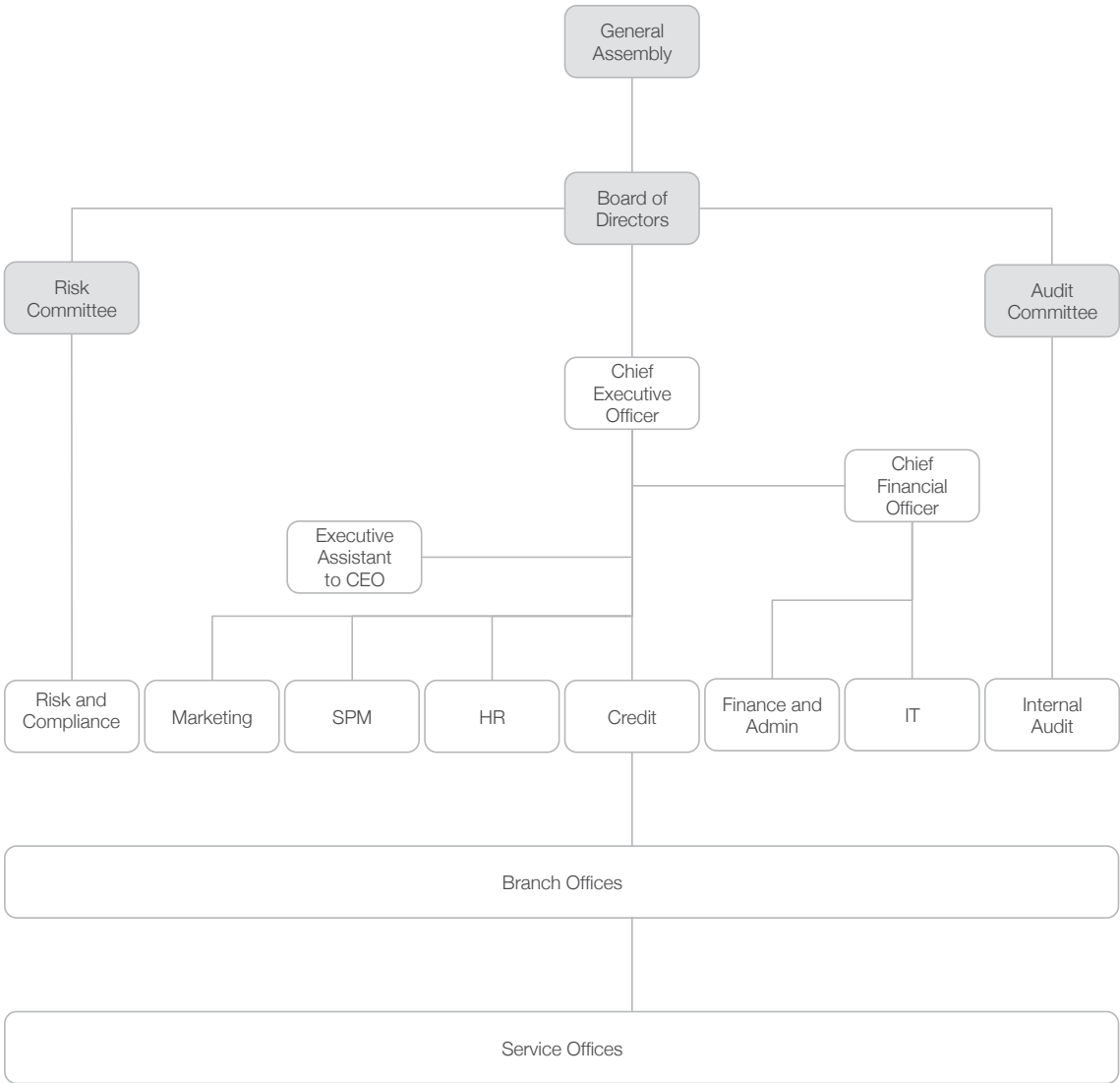
## PARTNERS



Gojo & Company, Inc.



ORGANIZATIONAL CHART



## SHAREHOLDERS

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%
<b>TOTAL</b>	<b>509,529</b>	<b>5,095,290</b>	<b>100%</b>



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

Taejun 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 was the Global Shapers of the World Economic Forum and is 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.



**Dr. AN BUNHAK** joined as a shareholder of MAXIMA since 2000. He 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. 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



**Dr. AN BUNHAK**, the current Chairman at MAXIMA, 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 and Admin Manager at Hong Leong Bank (Cambodia) Plc. since March 2013. In effect, 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 & 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, 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 was the Global Shapers of the World Economic Forum and is 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. SANJAY GANDHI** is a CPA from India. He started his career in 1991 with AF Ferguson, one of the oldest Audit firms in India (a partner of Deloitte India). Then he headed the corporate banking team of one of the largest finance companies in India for 8 years. From 2003 onwards, he 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 is co-founder of Gojo & Company Inc. and leads deal sourcing, due diligence and operational improvement initiatives for partner MFIs.



**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 CMA and Fellow Member of Institute of Public Accountants, Australia. He is also an Affiliate 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

### AUDIT COMMITTEE

#### Responsibilities of 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;

#### Activities and Achievements for the year 2016:

- The Audit Committee met 4 times during the year 2016;
- In the meeting held in 2016, the committee approved an internal audit plan for the year 2017 and made suggestions on audit sampling
- Internal Audit reports directly to the Board Audit Committee to provide independent and objective assurance over the adequacy, sustainability, and effectiveness of the organization's governance, internal controls and risk management process;
- All key operational, business and management process were audited according to risk based methodologies;
- Internal Audit examined the strategies of the organization and the adequacy and effectiveness of the relevant policies, procedures, and regulatory guidelines;
- 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;
- During the year 2016, Audit Committee participated 4 times in the Board meeting.

### 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 has been formed effectively since September 2015. The committee performs the following functions:

- Streamline and monitor the social performance management (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

Activities and Achievements for the year 2016

- SPM Committee met 8 times during the year, and attended 4 Board of Directors meetings.
- Conducted Self-Assessment twice using Smart Campaign self-assessment tool. MAXIMA found out 32 gaps that are being worked on and completed.
- SPM Committee is diligently working on covering all the gaps to be ready for the Smart Campaign Certification.
- This year MAXIMA formalized The Complaint Resolution Manual and gave training to the staff regarding the complaint resolution procedure. MAXIMA has also started explaining to the clients about their rights as clients of microfinance. This exercise has led to MAXIMA receiving numerous complaints and suggestions from the clients. The same have been addressed appropriately.
- The SPM Committee arranged regular MAXIMA Cleanliness and Health Promotion Project for clients.
- A new initiative, based on MAXIMA's commitment to the environment and towards a green Cambodia and green planet, was initiated this year by the SPM Committee, called the MAXIMA Green Cambodia Project.
- The SPM Committee along with MAXIMA Human Resource Department planned and arranged training on:
  - Client Protection Principles: 2 training and attended by 80 staff
  - Social Performance Management: 1 training and attended by 21 staff

## MANAGEMENT TEAM

Maxima management is directly responsible for the day-to-day operations and profitability of the company.



**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 like a paternal figure to many staff at MAXIMA.



**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 conversed in English, Thai and Khmer. Ms. Sivechheng is the demanding yet very caring sister to all staff.



**Ms. LAY SINEATH** is the Deputy 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 relentless energy to work for MAXIMA and is loved by all.



**Ms. SIM SOUPHEAKNA** is the 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 is holding 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 conversed in English and Khmer.



**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 Kossomak 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. The ever smiling Mr. Darith works hard to keep MAXIMA's data organized and safe. He is an asset to MAXIMA.



**Mr. KHIEV SENG DY** joined MAXIMA in June 2006. He is currently serving as Head of Marketing Department. Before this, Mr. Sengdy was Deputy Credit Manager in 2014 and Branch Manager (2011-2013) at MAXIMA. Mr. Sengdy is currently a candidate of Master of Business Administration at Norton University. He obtained Bachelor of Business Administration specializing in Management at Human Resources University in 2009. Mr. Sengdy is well conversed in English and Khmer. Having been with MAXIMA since he was a young lad, Mr. Sengdy makes regular efforts to learn new things and upgrade his skills.



**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. Mr. Heng is sharp as his work demands yet sensitive to human nature.



**Mr. NIN TOUCH** is the Head of Credit Department at MAXIMA. He joined MAXIMA in October 2015 as Head of Risk and Compliance. Prior to joining MAXIMA; he worked as Senior Operational Risk, Credit Compliance Officer, and Credit Officer at Prasac MFI. He is holding a Master of Business Administration specialized in Economics at the University of Cambodia, Bachelor degree of Mathematics at Royal University of Phnom Penh. He is well conversed in English and Khmer. Mr. Touch keeps the team spirit high at MAXIMA and is not averse to trying new strategies.

## STAFF AND STAFF CAPACITY DEVELOPMENT

### OUR PEOPLE

In 2016, MAXIMA expanded its services to more rural areas to ensure proper access to the target clients. MAXIMA is operating through 10 offices in 4 provinces, 23 districts, 161 communes and 852 villages. MAXIMA's ongoing growth requires more staff. As of the end of 2016, MAXIMA had a total staff of 128, out of which 39 are newly recruited.

### STAFF CAPACITY DEVELOPMENT

Developing staff capacity is an important aspect of any organization's growth. MAXIMA tries to ensure that all staff is well trained at the very beginning of joining MAXIMA and continued trainings are provided over the year, this also helps to make sure that staff is competent enough to perform their job with high quality of service.

The following are numbers of staff participating and training courses provided within 2016:

#### INTERNAL TRAINING

No	Course Title	Number of Participants
1	Basic Accounting	11
2	Client Protection Principles	80
3	Complaint Resolution Policy	110
4	Credit Policy	83
5	Code of Conduct	66
6	Empowering Leadership	11
7	Internal Control on Credit Operation	20
8	Introduction to International Financial Reporting Standards (IFRS)	15
9	Loan/Credit Assessment	117
10	Operational Risk policy	10
11	Risk / Compliance Skill	13
12	Social Performance Management (SPM)	21
13	System Training	82
14	Team Building	20
15	Foundation training for new staff	39
16	How to increase loan portfolio	59
17	Loan solution in and out judicial procedure	12
18	Staff Loan Policy	17
<b>Total</b>		<b>769</b>



“A team that cries together stays together”. After the heart-warming, deeply emotional Team Building training exercise, the MAXIMA team comes together for a picture.

## EXTERNAL TRAINING

No	Course Title	Training Provider	No. of Participants
1	Taxation	National Tax School	1
2	Credit Report Understanding, CBC	Credit Bureau of Cambodia	3
3	Lending to SME	Cambodia Institute of Banking	1
4	Loan solution in and out judicial procedure	Cambodia Institute of Banking	1
5	Credit risk and delinquency management for SME lending	Cambodian Microfinance Association	1
6	High Performance Sale Strategy	Cambodia Institute of Banking	1
7	Credit Risk Management	Oikocredit	2
<b>Total</b>			<b>10</b>





Training on "SME Lending" by Cambodia Institute of Banking, June 2016

## 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, solar 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 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

## OPERATIONAL PERFORMANCE

### SERVICE OUTREACH

In 2016, MAXIMA is operating through 10 offices in 4 provinces, 23 districts, 161 communes and 852 villages. MAXIMA expanded its services to more rural areas to ensure proper access to its target clients.

Productivity	2015	2016	Increment	% Change
Number of Branches	2	2	-	-
Number of Service Offices	8	8	-	-
Number of Provinces Covered	4	4	-	-
Number of Districts Covered	23	23	-	-
Number of Communes Covered	139	161	22	15.83%
Number of Villages Covered	725	852	127	17.52%

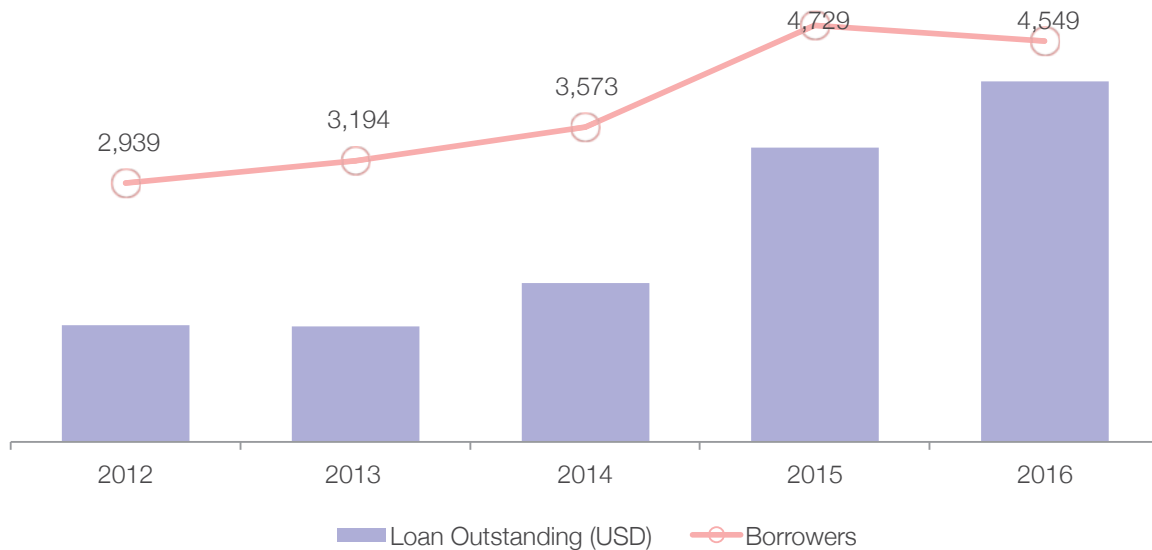
### OPERATION AREA OF MAXIMA



## LOAN PERFORMANCE

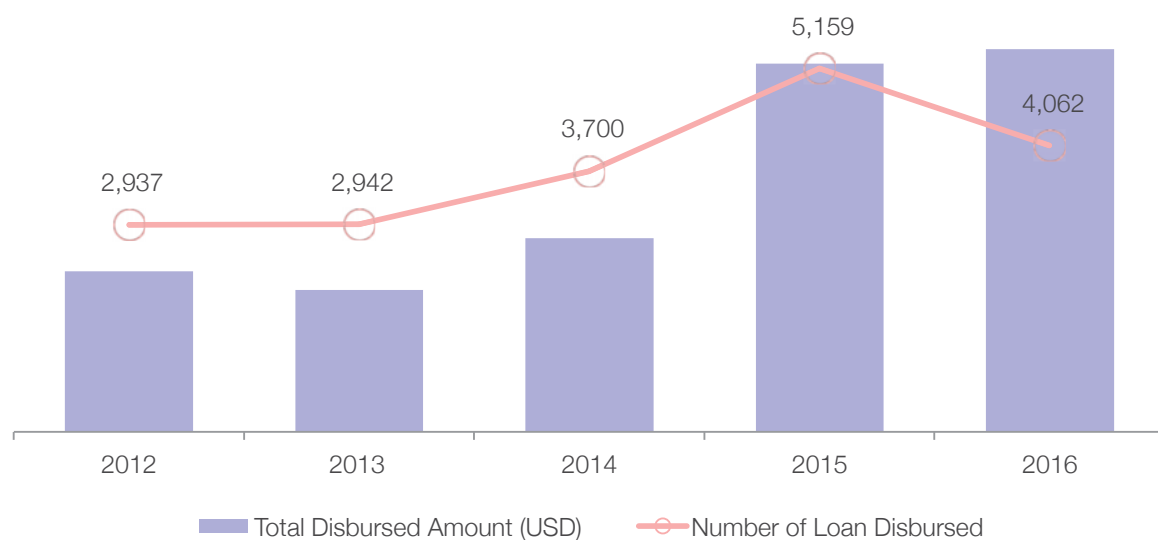
### LOAN PORTFOLIO AND ACTIVE CLIENTS

In 2016, MAXIMA total loan portfolio is USD 9,825,293, an increase of 23% as compared to 2015 even though MAXIMA's active clients fell to 4,549 clients.

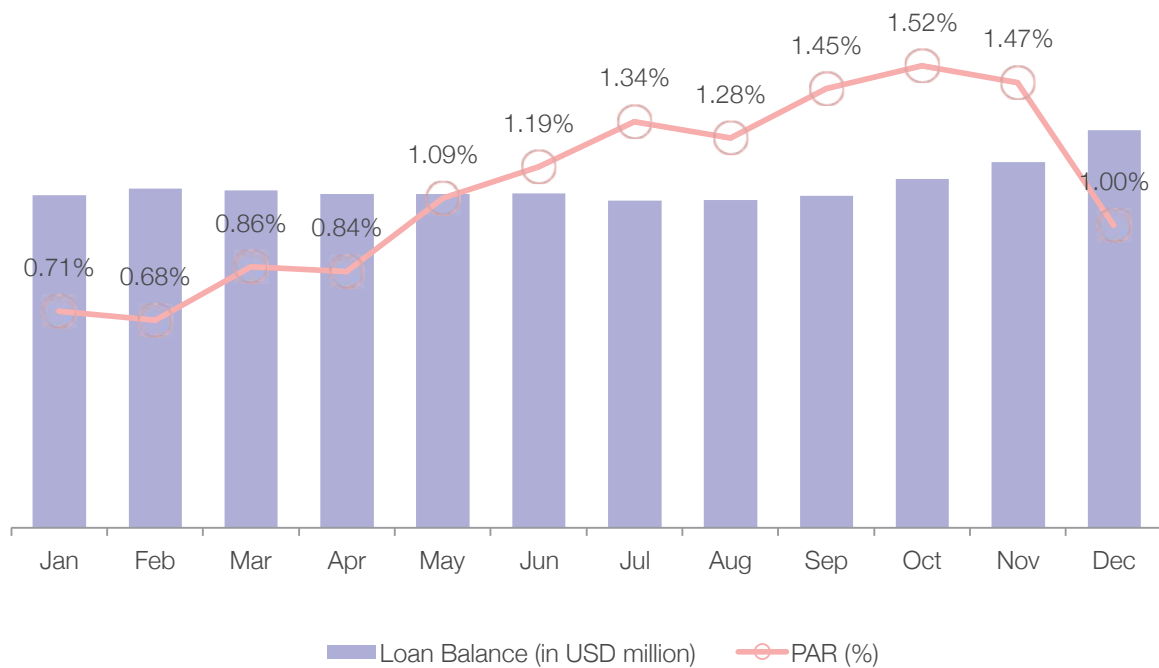


### LOAN DISBURSEMENT

MAXIMA disbursed loans total of USD 10,864,960 in 2016, an increase of 4% over the previous year. The number of loans is 4,062. The average loan disbursed amount is USD 2,675.

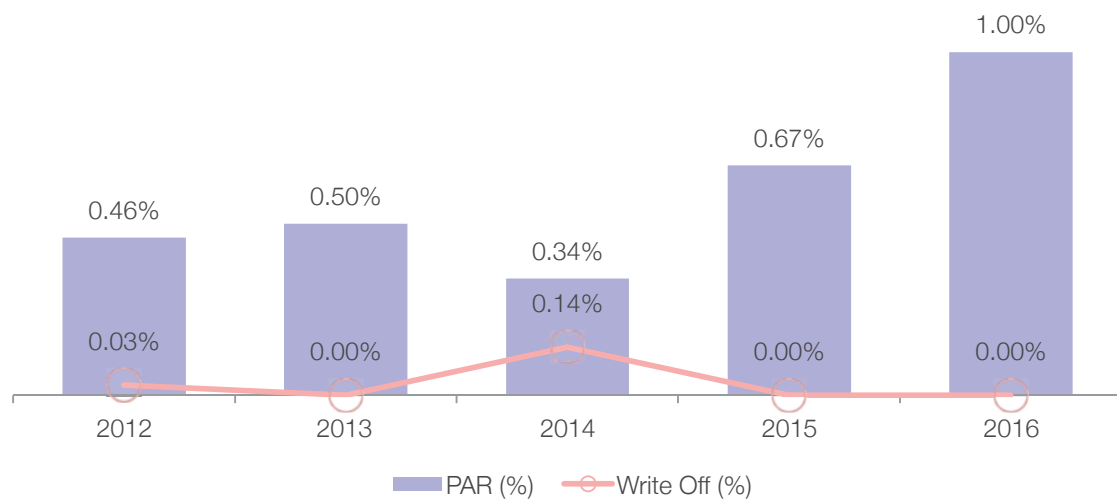


## MONTHLY LOAN PORTFOLIO AND PAR



## PAR AND WRITE OFF

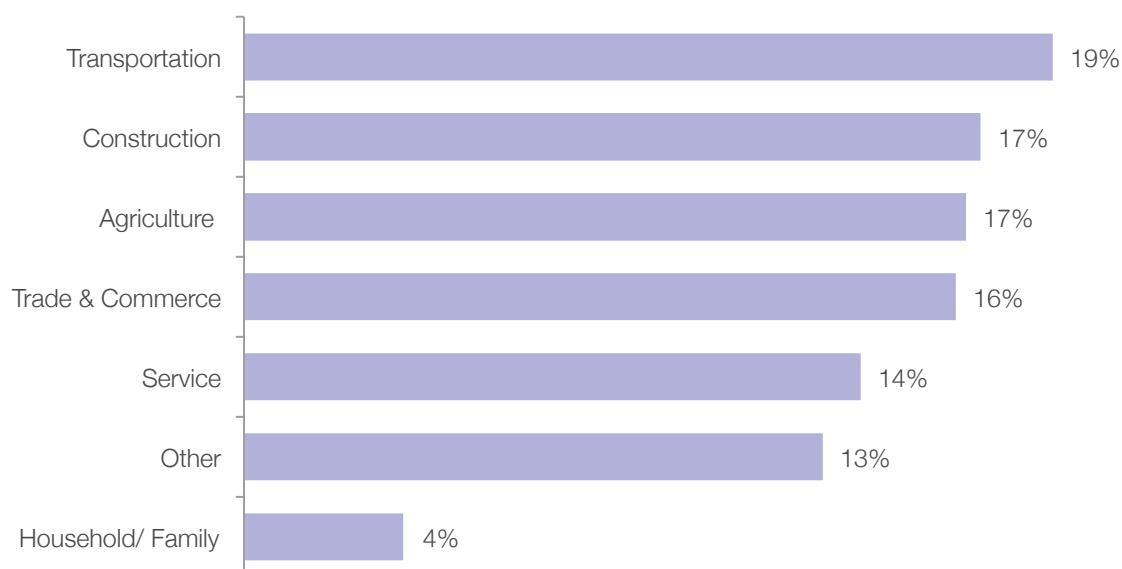
Portfolio at Risk (PAR) in 2016 was 1% due to some drop in loan quality, but MAXIMA being aware of this, worked on strengthening its operations and the loan assessment. There is no loan write off in 2015 and 2016.





## LOAN CATEGORY DISTRIBUTION

Loan of Maxima has been categorized into different sectors. The high sectors of loan utilization are transportation 19%, construction 17%, agriculture 17%, trade and commerce 16%, service 14%, other activities 13%, and household and family 4%.



## STAFF PRODUCTIVITY

MAXIMA is rigorous in its loan appraisal of new clients and careful in high penetration rate areas. This is especially important because there is growing concern about loan overlap and over-indebtedness not only from lenders, investors, and other stakeholders but also to safeguard the interests of its clients. The portfolio outstanding per credit officer and portfolio outstanding per total staff are:

Productivity	2012	2013	2014	2015	2016
Borrowers per Credit Officer	89	89	81	95	76
Loan per Credit Officer (in USD)	96,349	87,478	98,521	160,322	163,755
Loan per total staff (in USD)	42,394	38,879	47,637	69,705	76,760

## SOCIAL PERFORMANCE MANAGEMENT

### SPM INDICATORS

(Applying MIX 11 social performance indicator categories)

categories)	2015	2016
<b>Governance</b>		
Number of management	7	7
Number of women in management position	1	3
<b>Loan Product</b>		
Productivity loan portfolio	160,322	163,755
<b>Client Outreach</b>		
Number of borrowers in rural area	3,072	3,152
Number of borrowers in urban area	1,657	1,397
Number of borrowers as women	3,951	3,976
Number of group borrowers	560	555
Number of individual borrowers	3,147	3,014
Number of SME borrowers	1,022	980
Number of new borrowers	2,555	1,645
<b>Portfolio Outreach by Lending Methodology</b>		
Percentage of group lending	2%	2%
Percentage of individual lending	55%	46%
Percentage of SME lending	43%	52%
<b>Human Resource</b>		
Total staff	108	128
Number of staff as women	22	25
Number of Credit Officers	50	60
Staff Benefit benefits	13 <sup>th</sup> month salary, Accident insurance, and other	
<b>Social Responsibility to client</b>		
Adoption of 7 Clients Protection Principle	Completed self-appraisal	Actions in progress
<b>Social Responsibility to Environment and Social</b>		
MAXIMA Cleanliness and Health Promotion Projects	3	4
Total number of workshop participants (Approximately)	265	394
MAXIMA Green Cambodia Campaign- Tree Projects	-	2
Total number of campaign participants (Approximately)	-	166
<b>Client Satisfaction</b>		
Client retention rate*	66.24%	60.66%

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

MAXIMA Microfinance Plc. balances financial sustainability with its social mission. MAXIMA follows the tenets of Smart microfinance by maintaining social responsibility for its clients, staff and the environment. This ensures that the operations provide positive impact for clients, employees and the community alike. In 2016 many clients were rejected due to MAXIMA's policy of strict adherence to avoiding over-indebtedness. Therefore MAXIMA's client retention rate dropped this year.

## SOCIAL RESPONSIBILITIES FOR CLIENTS

MAXIMA is committed to providing best service to clients and complies with Client Protection Principles including (1) Appropriate product design and delivery, (2) Prevention of over-indebtedness, (3) Transparency, (4) Responsible pricing, (5) Fair and respectful treatment of clients, (6) Privacy of client data and (7) Mechanisms for complaint resolution

Maxima adopts the above client protection principles and practice in every-day operations. Using the tools from Smart Campaign, MAXIMA regularly conducts the self-assessment to assess the gaps and work on the gaps to get the best of the universal standards in its operations and best service for its clients. Based on its self-assessment, MAXIMA added many aspects of the Client Protection Principle in its manuals and is training the staff regularly on the changes. In the year 2016, MAXIMA strengthened the complaints procedures and the feedback mechanism based on which it is working on more client friendly product design.

### Client Exit Survey

MAXIMA conducted client exit survey towards understating the major reasons that cause clients to exit MAXIMA. During 2016, MAXIMA conducted client exit survey and found out that most of clients are satisfied with the service provided. The major reason that clients exit was due to no demand/need for new loan. Some clients also provided feedback on the interest rate and loan condition being the reason for exit.



Feedback discussion with a client: The client made a suggestion about his repayment schedule. It was noted, discussed at the Branch level and at Head Office. A quick decision was made in favor of the client.

## Client Satisfaction Survey

In addition to the client exit survey, MAXIMA also conducted the client satisfaction survey to understand in which areas MAXIMA should improve in terms of products and services. In 2016, MAXIMA conducted client satisfaction survey two times, and the results revealed that the majority of the clients are satisfied with the products and services provided by MAXIMA. The survey also informed that some clients are not happy with the loan amount, interest rate, and process for loan assessment. From this feedback, MAXIMA put more effort to improve product development to fit clients' need.

## MAXIMA CLEANLINESS AND HEALTH PROMOTION PROJECT

### The rationale behind the Project

Microfinance clients and staff frequently report that the cost of illness causes difficulties with loan repayment often requiring clients to use their business loans and other household assets to pay for healthcare expenses. Clients report low usage of health services and delays in seeking care, stemming from barriers of cost, geographic access, cultural beliefs and lack of trust in health providers. Inadequate information about how to prevent and treat illness is a common and pressing concern (Leatherman and Dunford Study of Health and Microfinance Linkages). UNICEF Factsheet also states that *"Families can help reduce waterborne and sanitation-related illnesses with basic hygienic practices. Combining hand washing, food protection and household hygiene reduces infant diarrhea by 33 per cent...."*. The report also states that: *"The simple act of washing hands with soap can reduce diarrhea diseases among adults and young children by 42 to 47 percent"*. The UN report further states that access to the basics such as sanitation and hygiene projects saves lives, improves learning capacities and increases income-producing options. When compared to the enormous returns, investing in water, sanitation and hygiene programs is a drop in the bucket.

In an effort to promote basic hygiene and health awareness of its clients MAXIMA continued to run its project of providing basic hygiene literacy to clients and especially to small children on a practical application of how to wash their hands properly with soap achieved through MAXIMA Cleanliness and Health Promotion Project (MCHPP).



MAXIMA's CEO, Mr. Pa Ponnak Rithy, spending time with the clients and families in the field. MCHPP Workshop held at Tnorl Tortoeng Service Office, May 2016.



In 2016, MAXIMA hosted 4 such hand-hygiene workshops at Sangkat Prek Pnov, Rorleang Krel Commune, Bek Chan Commune, and Khan Dangkor which are in location office of MAXIMA at Prek Pnov Branch, Tnorl Tortoeng Service Office, Chom Chao Service Office, and Takdol Service Office. The children along with their parents and MAXIMA staff learned the best techniques of hand washing. The workshops also act as a platform for clients of MAXIMA to interact with the top management and CEO of MAXIMA who regularly participate in these workshops. In future too MAXIMA is keen to be involved in the improvement of lives of its clients through the medium of improved hygiene, sanitation and health loans.



## MAXIMA GREEN CAMBODIA CAMPAIGN

The rationale behind the initiative

In 2016, MAXIMA started its formal journey on the path of being an MFI interested in following the Green Index 2.0 in the microfinance sector, wherein there is an emerging understanding of what is meant by “environmental performance in microfinance” – the 2.0 version of the Universal Standards for Social Performance Management (USSPM) that was published in August 2016 includes an Essential Practice focused on responsibility to the environment. The Green Index 2.0 Index which is a product of collaborative work within the Microfinance and Environment Action Group aims to be a core tool to support environmental responsibility and environmental management within microfinance and, more broadly, the inclusive finance sector”. The Green Index can be found as a module (Dimension 7 – Green Microfinance) in the SPI4 tool developed by CERISE.

MAXIMA is a pro-environment MFI. It has since its inception been diligently following the second standard of the Green Index which states: “The second standard of the Green Index is linked to internal environmental risk management, and looks at the actions that MFIs undertake to reduce and monitor their internal ecological footprint, for example to reduce paper, water and energy usage at headquarters and

branches level". The third standard which is about external environmental risk management states that "MFIs can also evaluate the level of environmental risk of the activities that they finance, include this level of environmental risk as a factor in the loan approval process, or even decide to raise clients' awareness on mitigation solutions" MAXIMA follows an "Exclusion List" to maintain this standard and also documents loans rejected on the basis of the same. With it's Green Cambodia Campaign MAXIMA is on the path to following the Fourth Dimension of the Green Index which states that: *The fourth standard focuses on how MFIs can foster green opportunities, by offering specific financial or nonfinancial services to promote clean energy, sustainable agriculture, or other environmentally-friendly practices or businesses, also aiming to improve client's and institution's resilience towards environmental degradation or climate change.*

MAXIMA Green Cambodia Campaign (Tree Planting Project) has the slogan: "Each One Plant One" In the words of MAXIMA Staff: "The main purpose of the initiative is to create a culture of loving the environment, and how MAXIMA and staff could contribute for environmental welfare of their clients and their beloved Kingdom of Cambodia". MAXIMA plants saplings in public areas. During 2016, MAXIMA arranged the event two times and planted 170 trees at a school located in Muk Kampul District, and Ponhea Leu District. In this project also, MAXIMA planted the medicinal Longan tree for the benefit of our good clients.



"M" for MAXIMA and "M" for "Maximum" efforts to keep "My" Kingdom of Cambodia Green



## MAXIMA ACTIVITIES GEARED TOWARDS SOCIAL RESPONSIBILITY FOR STAFF

During the year, MAXIMA celebrated several events to strengthen teamwork and cooperation among staffs and management. Our employees were invited to join the company events like the Annual Trip and Annual Seminar, MAXIMA Health and Financial Literacy workshop, MAXIMA Green Cambodia Workshop, Football Matches, etc. MAXIMA believes that staff is the important assets of the company, and by attending and participating in the events staff could build better relationship with each other. The events also build team-spirit and a feeling of pride in the institution. During the Annual Meet event, MAXIMA distributed awards to the staff as recognition of their contribution to the institution for the year. This motivated the staff as the award was presented by the Chairman and Directors of the institution. The Senior Management and staff both enjoyed precious moments of togetherness. In his address to the staff during the Annual Seminar, the Chairman insisted on developing a culture of increased transparency within the institution and highlighted that the staff should feel comfortable enough to be able to “reach-out” to him and other Directors at MAXIMA.



The best performers of the year, an inspiration to all the other team members

## SUCCESS STORY FROM CLIENTS



Tep Sotheary is married to Un Kunthea, and they have 2 children. They live in Sangkat Prek Thmey, Khan Chbar Ampov, Phnom Penh. Sotheary runs a business of selling jasmine on wholesale for 8 years.

Sotheary understands the importance of a better yield to improve her business. She needs to spend money for the fertilizer for supporting the jasmine to grow well. For this season, Sotheary hopes to harvest more and is in need of more investment capital. Sotheary is loyalty clients and she started loan with MAXIMA since 2011.

In Cambodia jasmine is used in sacred offerings to the Buddha. Jasmine buds and flowers are also used in decorative displays for temples, festivals, weddings, holidays and even birthday parties. Monks add jasmine blossoms to make scented holy water used for sprinkling for blessings. In combination with green tea, jasmine is also used to make a delightfully aromatic brew jasmine rice is a big export commodity for Cambodia.

With support from the MAXIMA loan, Sotheary has been able to invest in input like fertilizer and seeds; harvest a better and larger jasmine yield which in turn has helped her to expand her business as well as help her in improving her standard of living.



Srun Lors was married in 1997, and he has 4 children. Lors used to work as a driver for a bamboo business owner, when he had the idea and desire to start his own business. Eventually, he started his business of selling bamboo in 2011. Lors purchased bamboo from Kratie Province and supplied it to local retail shops in Phnom Penh City.

Much of the bamboo in Cambodia is used to make floors for houses, fish traps, Khmer musical instruments and other products. Bamboo is quick to grow, is versatile and in Cambodia there have been discussions that bamboo could become a sustainable industry for building materials and even fibers for the garment industry. In 2012 Phnom Penh hosted the Bamboo Green Growth and Carbon Finance Conference. MAXIMA is always keen and happy to support pro-environment activities at all levels of business.

Lors started his bamboo business with a few workers, and now he offers jobs to 20 workers and 2 car drivers. The workers who have residence in other province are provided accommodation at Lors's bamboo storage place in Kien Svay District. Using the loan from MAXIMA Microfinance Plc., Lors was able to expand his business, offer jobs to people, and generate more income for his family.

## 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 2016.

#### 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 2015 were as follows:

	Year ended 31 December 2016		Year ended 31 December 2015	
	USD	KHR' 000	USD	KHR' 000
Profit before income tax	526,682	2,126,215	352,749	1,428,633
Income tax expense	(133,168)	(537,599)	(75,320)	(305,046)
Net profit for the year	393,514	1,588,616	227,429	1,123,587

#### Reserves and Provisions

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

#### Dividends

The Company has declared and paid dividends amounting to US\$52,711 in respect of the Company's net profit for the year ended 31 December 2015. (2015: US\$20,684 in respect of the Company's net profit for the year ended 31 December 2014).

#### Share capital

On 26 December 2016, the National Bank of Cambodia approved on the conversion of borrowings from Mr. An Bunhak and Gojo & Company, Inc. as follows:

	Share Capital (USD)	Share Premium (USD)	Total (USD)
Mr. An Bunhak	430,000	180,600	610,600
Gojo & Company, Inc.	1,590,290	661,557	2,251,847

As at 31 December 2016, the share capital of the Company was US\$5,095,290 (2015: US\$3,075,000).

#### 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 2016 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 Bank are as follows:

	<u>31 December 2016</u>		<u>31 December 2015</u>	
	<b>Holding %</b>	<b>Number of shares of US\$10 each</b>	<b>Holding %</b>	<b>Number of shares of US\$10 each</b>
Mr. An Bunhak	19.63%	100,000	18.54%	57,000
Mr. Chet Chanprasoeur	1.08%	5,500	1.79%	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 2016, 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 judgements 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 confirms 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 2016, 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,



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**Mr. An Bunhak**

Chairman

Phnom Penh, Kingdom of Cambodia

Date: 27 April 2017

## INDEPENDENT AUDITORS' 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 2016, 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 8 to 47.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, 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.

### Other matters

The financial statements of the Company as at and for the year ended 31 December 2015, were audited by another auditor who expressed an unmodified opinion on those statements on 25 April 2016.

### Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the Report of the Board of Directors as set out on pages 1 to 4, 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 scepticism 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.



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**Khoy Kimleng**

Director

Phnom Penh, Kingdom of Cambodia

Date: 27 April 2017



## FINANCIAL STATEMENTS

### BALANCE SHEET

As at 31 December 2016

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
<b>ASSETS</b>				
Cash on hand	10,235	41,319	15,311	62,009
Balances with the NBC	255,580	1,031,776	154,259	624,749
Balances with other banks	1,061,245	4,284,246	241,524	978,173
Loans to customers	9,727,358	39,269,344	7,962,287	32,247,262
Equity investment	10,000	40,370	10,000	40,500
Other assets	162,139	654,555	139,122	563,444
Property and equipment	42,325	170,866	39,491	159,938
Deferred tax assets	49,717	200,708	27,879	112,910
<b>TOTAL ASSETS</b>	<b>11,318,599</b>	<b>45,693,184</b>	<b>8,589,873</b>	<b>34,788,985</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Amounts due to shareholders	520,000	2,099,240	3,385,494	13,711,251
Borrowings	2,889,834	11,666,260	588,375	2,382,919
Provident fund obligations	92,873	374,928	75,535	305,917
Other liabilities	91,232	368,304	70,331	284,840
Current income tax liability	136,080	549,355	84,808	343,472
<b>Total Liabilities</b>	<b>3,730,019</b>	<b>15,058,087</b>	<b>4,204,543</b>	<b>17,028,399</b>
<b>Equity</b>				
Share capital	5,095,290	20,569,686	3,075,000	12,453,750
Share premium	1,538,174	6,029,608	696,017	2,818,869
Reserves	67,862	273,959	53,990	218,659
Retained earnings	887,254	3,581,844	560,323	2,269,308
<b>Total Equity</b>	<b>7,588,580</b>	<b>30,635,097</b>	<b>4,385,330</b>	<b>17,760,586</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>11,318,599</b>	<b>45,693,184</b>	<b>8,589,873</b>	<b>34,788,985</b>

## INCOME STATEMENT

For the year ended 31 December 2016

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Interest income	1,926,666	7,777,951	1,503,119	6,087,632
Interest expense	(223,868)	(903,755)	(206,985)	(838,289)
<b>Net interest income</b>	<b>1,702,798</b>	<b>6,874,196</b>	<b>1,296,134</b>	<b>5,249,343</b>
Other operating income	63,140	254,896	34,966	141,612
<b>Total operating income</b>	<b>1,765,938</b>	<b>7,129,092</b>	<b>1,331,100</b>	<b>5,390,955</b>
Operating expenses	(1,185,159)	(4,784,487)	(939,454)	(3,804,789)
Allowance for bad and doubtful loans	(54,097)	(218,390)	(38,897)	(157,533)
<b>Profit before income tax</b>	<b>526,682</b>	<b>2,126,215</b>	<b>352,749</b>	<b>1,428,633</b>
Income tax expense	(133,168)	(537,599)	(75,320)	(305,046)
<b>Net profit for the year</b>	<b>393,514</b>	<b>1,588,616</b>	<b>277,429</b>	<b>1,123,587</b>

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share Capital US\$	Share Premium US\$	Reserves US\$	Retained Earnings US\$	Total US\$
At 1 January 2015	1,315,000	121,025	48,548	309,020	1,793,593
Additional capital	1,760,000	574,992	-	-	2,334,992
Transfer to reserves	-	-	5,442	(5,442)	-
Dividends paid	-	-	-	(20,684)	(20,684)
Net profit for the year	-	-	-	277,429	277,429
At 31 December 2015	3,075,000	696,017	53,990	560,323	4,385,330
(KHR'000 equivalents)					
At 31 December 2015	12,453,750	2,818,869	218,659	2,269,308	17,760,586
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
(KHR'000 equivalents)					
At 31 December 2016	20,569,686	6,209,608	273,959	3,581,844	30,635,097

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
<b>Cash flows from operating activities</b>				
Profit before income tax	526,682	2,126,215	352,749	1,428,633
<i>Adjustments for non-cash income &amp; expense</i>				
Depreciation	21,273	85,879	17,410	70,511
Allowance for bad and doubtful loans	54,097	218,390	157,533	38,897
Provident benefits	12,893	52,049	9,370	37,948
Loss on disposal of property and equipment	285	1,151	610	2,471
Net interest income	(1,702,798)	(6,874,196)	(1,296,134)	(5,249,343)
	(1,087,568)	(4,390,512)	(877,098)	(3,552,247)
<i>Changes in:</i>				
Loans to customers	(1,819,175)	(7,344,010)	(3,681,179)	(14,908,775)
Other assets	(6,327)	(25,542)	1,703	6,897
Balances with the NBC	(101,015)	(407,798)	(88,000)	(356,400)
Other liabilities	25,234	101,870	28,710	116,276
Provident fund obligations	14,715	59,404	12,076	48,908
<i>Cash used in operations</i>	(1,886,568)	(7,616,076)	(3,726,690)	(15,093,094)
Interest received	1,909,976	7,710,573	1,461,583	5,919,411
Interest paid	(228,201)	(921,247)	(205,690)	(833,045)
Income tax paid	(103,734)	(418,775)	(40,406)	(163,644)
Provident fund paid	(10,270)	(41,460)	(9,522)	(38,564)
Net cash used in operating activities	(1,406,365)	(5,677,497)	(3,397,823)	(13,761,183)
<b>Cash flows from investing activities</b>				
Purchase of property and equipment	(25,113)	(101,381)	(30,904)	(125,161)
Net cash used in investing activities	(25,113)	(101,381)	(30,904)	(125,161)

**Cash flows from financing activities**

Dividend paid	(52,711)	(212,794)	(20,684)	(83,770)
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Proceeds from borrowings	3,668,185	14,808,463	4,450,540	18,024,686
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Repayments of borrowings	(1,369,045)	(5,526,835)	(1,375,901)	(5,572,399)
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Net cash from financing activities	2,246,429	9,068,834	3,053,955	12,368,517
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**Net increase / (decrease) in cash  
and cash equivalents**

814,951	3,289,956	(374,772)	(1,517,827)
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Cash and cash equivalents at beginning of the year	257,344	1,042,243	632,116	2,575,873
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Currency translation differences -	(3,344)	-	(15,803)	
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**Cash and cash equivalents**

At the end of the year	1,072,295	4,328,855	257,344	1,042,243
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## IMPORTANT EVENTS OF THE YEAR

Visit of Mr. Nobuyuki Idei, Chairman of Gojo & Company Inc. to MAXIMA



JICA delegates visited Maxima office





### Staff Annual Party



We are family and members of the family sing and dance together. Also at MAXIMA we work hard and party harder





There is nothing that builds the team-spirit more than sports does. MAXIMA Football Team.



Each One Plant One



## CONTACT DETAILS

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"In our life, we should grow at least one tree. We sleep on a wooden bed made from the tree that our ancestors grew for us. So we asked ourselves: Have we grown even one tree for our children, grandchildren or our great grandchildren? We said no, we have not yet grown trees for our next generation, and that is the reason that we propose this tree campaign."

Mr . PA PONNAK RITHY, CEO





## **MAXIMA Microfinance Plc.**

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