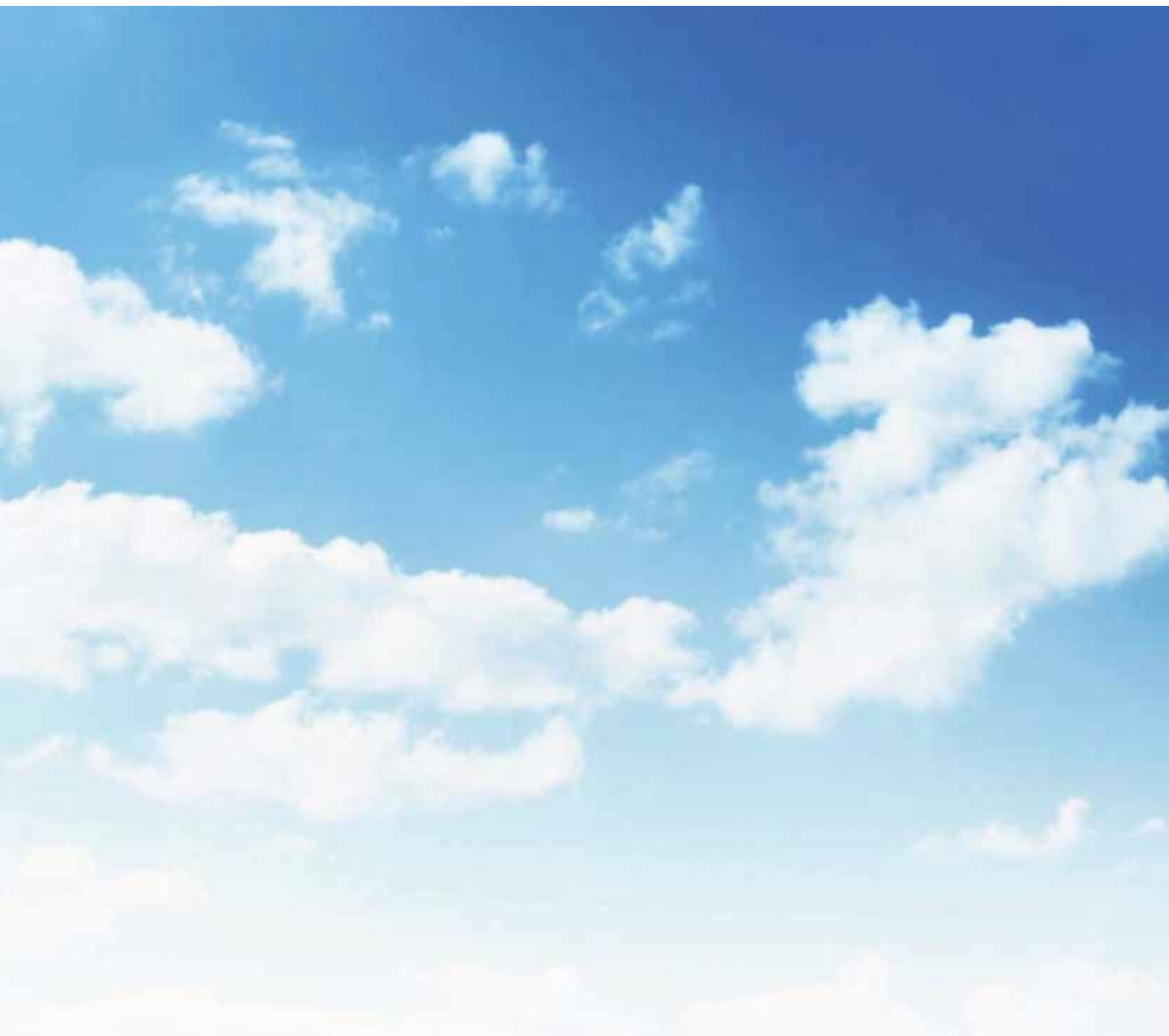




Annual Report 2012

(Fiscal Year Ended December 31, 2012)



ភីអិលអិល មីក្រូហិរញ្ញវត្ថុ (ខេមបូឌា)
AEON MICROFINANCE (CAMBODIA) CO., LTD.



-SECOND STAGE-

CONVENIENT, BENEFICIAL, SAFE

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FY2012 Highlights

(Ended December 31, 2012)



OUR SERVICE

Nature of our business is providing the retail finance for wide range of individual customers. Especially, we are well known as pioneer of providing the installment service (Hire-purchase) for people purchasing the consumer products with quick and easy process, which is very new service in Cambodia but popular in other countries.

OUR BACKGROUND

The Company was incorporated as a private limited liability company in Cambodia on 5 October 2011 under Registration No. Co.2380 E/2011 issued by the Ministry of Commerce. On 7 October 2011, the Company obtained its license as a micro-finance institution from the National Bank of Cambodia ("NBC") dated 21 November 2011. The Company is wholly-owned by AEON Thana Sinsap (Thailand) Public Company Limited, a company registered in Thailand. The ultimate parent company is AEON Financial Service Co., Ltd., a company registered in Japan and listed on the Tokyo Stock Exchange. AEON Financial Service.

Co., Ltd. currently has more than 30 million card members and it is one of the biggest credit card issuers and a leading consumer credit provider in Japan. AEON Group consists of more than 180 subsidiaries and affiliated companies. AEON Group operates not only in Japan but also in Southeast Asia and China.

FISCAL YEAR	2011	2012
-------------	------	------

Customer Base

ID Base Customer	63	4,264
------------------	----	-------

Network

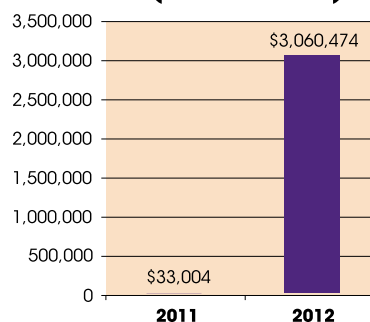
Corporate Merchant	18	251
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FISCAL YEAR	2011	2012
-------------	------	------

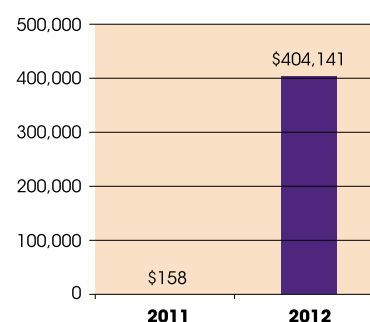
Financial Status

	US\$	US\$
Total assets	1,033,651	2,726,384
Gross Loans to customers	33,004	2,187,687
Total shareholders' equity	899,574	431,883
Capital	1,000,000	1,000,000

TOTAL Sale (Hire-Purchase)



TOTAL Revenues



Message from Management

Cambodia's economic was achieved a remarkable growth 7.3% in 2012 came from strong growth in agriculture, especially rice production, tourism, real estate and construction combined with strong rise in financial sector, moderate rise in garment exports, and rising public and private investment. In line with the growth of economic, AEON Microfinance (Cambodia) Private Company Limited has also doing well. We have worked and cooperated with more than 200 medium and large business partners in home furniture, electric appliance and motorcycle industries to provide installment service for customers and we became the Pioneer of Installment service. In additional, by seeing the market demand in Motorcycle Hire Purchase, we created Motorcycle Hire Purchase in the mid of the year and cooperated with 71 merchants and currently we got more than 200 applications per month. The yearly sale was totally reached USD 3 million and the Outstanding Balance was USD 2 million with 4,264 accounts as of December 2012.

2012 was our basic year. We invested in staff recruitment and capacity development to our 74 staffs and they become the trainer to the next generation. The system installation, policy creation and regulation and other requirements required by regulators awareness were done during the year.

Cambodian's economic condition for 2013 still expect to growth 7% due to the government's projection. We continue focusing on developing the Installment service dealer network and open a few more offices at the outskirts of Phnom Penh or main provincial city in 2013.

Mr. Daisuke Maeda

Vice-Chairman of the Board and Managing Director



Mr. Daisuke Maeda

Vice-Chairman of the Board and
Managing Director

Board Of Directors



Mr. **Masao Mizuno**
Chairman of the Board
Born (year) 1958

Education Background Bachelor in Law, Aichi Gakuin University, Japan Directors Certificate, Thai Institute of Directors Association

Working Experience for the last 5 years

- 2012 – Present Director, AEON Credit Holdings (Hong Kong) Co., Ltd
- 2011 – Present Chairman, AEON Credit Service (ASIA) Co., Ltd.
- 2011 – Present Director, Senior Managing Executive Officer, AEON Credit Service Co., Ltd
- 1992 – 2011 Managing Director, AEON Thana Sinsap (Thailand) Public Company Limited
- 2007 – 2011 Director, Thailand Foundation
- 2007 – 2011 Director, Servicing (Thailand) Co., Ltd.
- 2006 – 2011 Director, ACS Life Insurance Broker (Thailand) Company Limited
- 2005 – 2011 Director, ACS Insurance Broker (Thailand) Company Limited
- 2001 – 2011 Director, ACS Capital Corporation Limited



Mr. **Daisuke Maeda**
Vice-chairman of the Board of
Director and Managing Director
Born (year) 1976

Education Bachelor in of Mass Communication, Kansai University, Japan

Working Experience for the last 5 years

- 2011 – Present Vice-Chairman of the Board and Managing Director, AEON Microfinance (Cambodia) Private Company Limited.
- 2009 – Present Chief Representative, ACS Corporation Limited (Representative office in Cambodia)
- 2008 – 2009 Senior Vice President Head of Marketing & Sales, AEON Thana Sinsap (Thailand) Public Company Limited
- 2006 – 2008 Assistant Vice President Marketing Department, AEON Thana Sinsap (Thailand) Public Company Limited



Mr. **Om Seng Bora**
Independent Director
Born (year) 1977

Education Master Degree in Business Administration from Preston University, United States

Working Experience for the last 5 years

- 2010 – Present President Cambodian Microfinance Institute
- 2004 – 2009 CEO Vision Fund Cambodia – MFI

Business Highlight 2012



HIRE-PURCHASE

In year 2010 February, We established a representative office to research finance market in Phnom Penh since Cambodia has a potential of economic growth. As a result of research, we found the big opportunity to contribute for Cambodian financial industry through our finance service know-how, such as Hire-Purchase. In Cambodia, almost all finance companies such as Banks and Microfinance institutions request collateral for loan, and there was no finance company providing the installment for purchasing electric appliances. Under this situation, we decided to start the Hire-purchase for consumer products in Phnom Penh, which doesn't request the collateral and with quick process of approval according to AEON Credit Service group's philosophy "support customer's lifestyle and enable each individual to maximize future opportunities through effective use of credit." During 2012, the company put emphasis on expanding partner network to build up the strong business infrastructure through this year. As a result, number of partner shop reached 180 which are covering almost all major shops in Phnom Penh and we started to be known as AEON is a Pioneer of Installment service. Moreover, number of incoming application was also increased 1,177 at December (441% of Jan 2012) and hire purchase sale was reached 2.3 million USD in 2012.

MOTOR BIKE

Through the installment service for electric appliance, we had studied and analyzed the consumer finance market and payment behavior of people, motorcycle market analysis, and got a confidence to expand the service to Motor-cycle market. We have started Motor-cycle installment service by July. In order to establish the No.1 share in the market and continued to satisfy customer's demand, we had continued to listen the voice of partners and customers. After research and analysis of our data, we started to wave the down payment which we requested 20% before. As a result, Motorcycle partner reached 71 merchants at December. Furthermore, Motorcycle sales was achieved 0.8 million USD in 2012.

PAYMENT CHANNEL

In the beginning time, our payment channel was only payment counter at the head office. In order to provide more convenient and a variety of payment service to customer, we have tried to expand the location where customer can repay. As of December 2012, we have formed a partnership with Cambodian Public bank and Wing (Money transfer agency) and total payment channel is 318 locations in Phnom Penh. In order to promote bank transfer and Wing, we have focused on collaboration with Wing. Around due date, we put special counter in front of our payment to shift our counter payment traffic.



Corporate Social Responsibility

The Company is aware of the responsibility towards the public and environment by supporting corporate social responsibility activities regularly. In addition, the Company has focused on Corporate Social Responsibility as follow:

Environment Protection

AEON Group has a policy to give back to society as a principal of business. Facing potential risk of global warming and climate change in this decade, AEON Group has actively preserved environment through tree-planting and water resource protection in order to reduce impact from global warming and climate change. AEON Group has organized the tree planting activity consecutively every year i.e. joining tree planting activity initiated by AEON Environmental Foundation (Japan) in Beijing, China and participating in "AEON Thailand Foundation Tree-Planting project" in Cha-am and Petchaburi Province. In 2010, the company joined a tree planting program organized by AEON Group to create a forest near the ruins of Chau Say Thevoda temple in Cambodia to protect it from wind and rain. Trees were planted on 3 occasions during a 2 year period, specifically March and August of 2010, and July of 2011



Social Contribution Activities

The Company were organized to the social welfare and community and will be arranged continuously i.e. the Company made the donation to Cambodian Red Cross in order to assist victims of all kinds of disasters, vulnerable people and to meet the needs in the fields of Health Care in the communities. As of 2012, AEON donated through UNICEF for building 1,500 schools in Cambodia and AEON will continue to work together with its customers through various support activities to deliver a "future with dreams" to children, who will become the leaders of the next generation.



Corporate Governance

Equitable Treatment of Shareholders

Each shareholder has equal right to access any information from the Managing Director either directly or in written during the shareholder meeting, with regard to the financial statements of the Institution and other crucial information in relation to financial situation of the Institution. The shareholder(s) has right to get a copy of the latest annual financial statement, audit report, the latest monthly reports to be submitted to the National Bank of Cambodia, the latest business plan, and the latest Articles upon requests. Moreover, the Managing Director shall provide information related to compensation policy and other strategic plans of the Institution upon request of the shareholder(s). Meanwhile, the shareholder(s) shall not reveal that information to the public.

Roles of Stakeholders

The Company recognizes the importance of right so fall stakeholders, including shareholders, employees, customers, competitors, business partners, creditors and society and environment. The Company's guidelines for treatment of major stakeholders are summarized as follows:

Shareholder: The Company is responsible to the shareholders by emphasizing on sustaining business growth in order to create long-term returns to maximize shareholder value. In addition, the information disclosed to the shareholder is transparency, fairness and reliable.

Employee: The Company has recognized its employees as crucial to success. The Company there fore recruits and hires qualified and experienced persons as well as supports good quality of life and good environment in the workplace, regularly educates the employees to ensure their standards of professional service to customers. The employees also receive fairly benefits and reward for their dedication to the Company on yearly basis.

Customer: As customers' satisfaction is the first priority focus, the Company has provided variety of products to satisfy customers' need and committed to promote secure management of personal information and raised awareness of the need to protect personal information and comply fully with relevant laws. In addition, the Company is responsible for customer inquiry and complaint by evaluated and reported to the management on regularly.

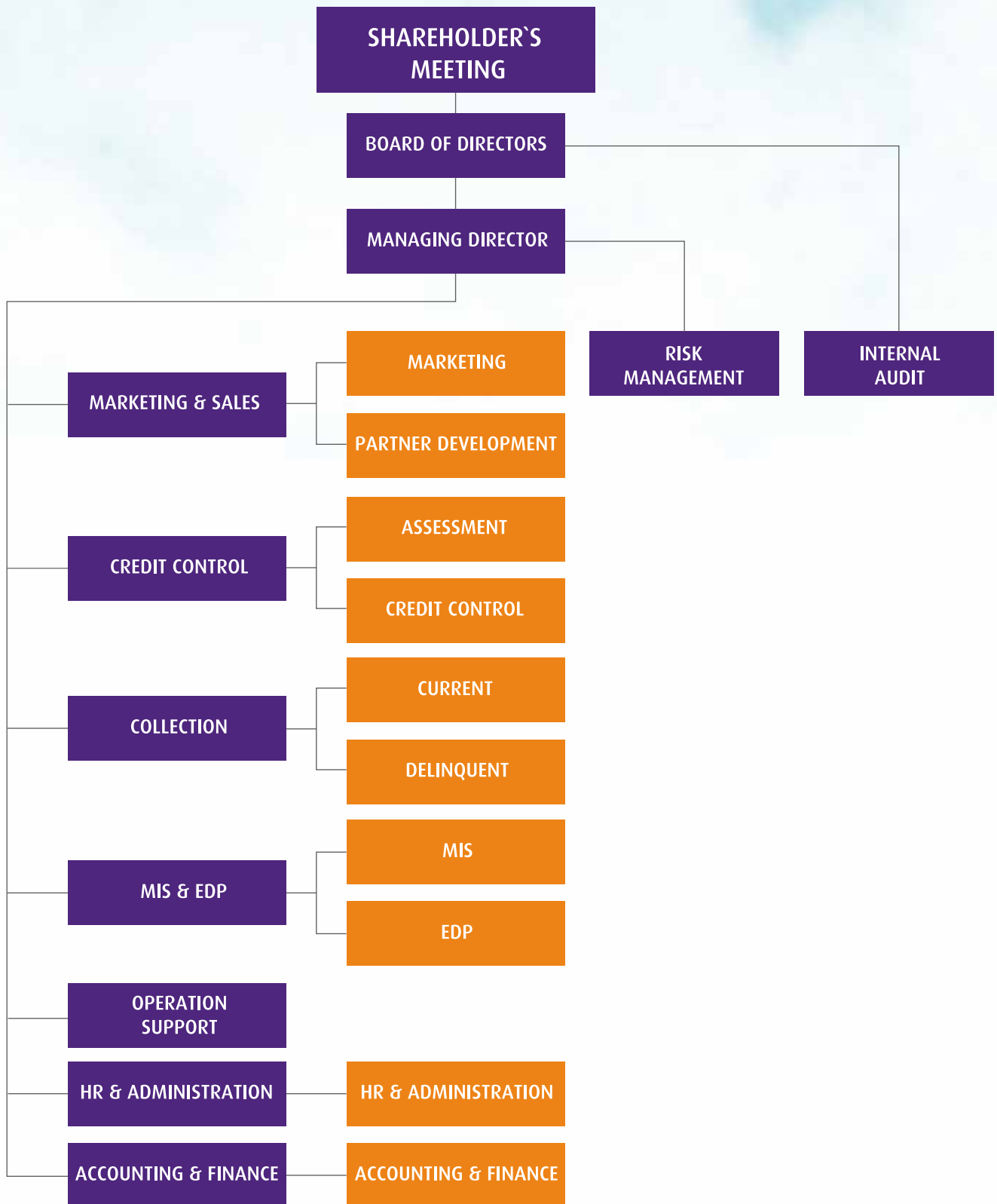
Competitor: The Company executes the business under fair competition and integrity approaches. During the past year, the Company does not have any legal suits with its competitors for unfair business.

Business partner: The Company strictly treats any agreements and conditions with honorably for long-term relationship with all partners.

Creditor: The Company abides by lending terms and conditions, and all legitimate duties to creditors and debenture holders.

Society and Environment: The Company is aware of the responsibility towards the public and environment by supporting activities that conserve the environment and contribute to society.

Organization Chart





Independent Auditors' Report

Independent Auditors' Report

To: The Board of Directors of AEON Microfinance (Cambodia) Co., Ltd.

We have audited the accompanying financial statements of AEON Microfinance (Cambodia) Co., Ltd. ("the Company"), which comprise the balance sheet as at 31 December 2012 and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Cambodian Accounting Standards and relevant 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the National Bank of Cambodia.



Maria Cristina M. Calimbas

Partner

Ernst & Young (Cambodia) Ltd.

Certified Public Accountants

Registered Auditors

Phnom Penh, Kingdom of Cambodia

25 March 2013

Balance Sheet

As at 31 December 2012

		2012		2011	
	Notes	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
ASSETS					
Cash on hand		40,152	160,407	481	1,943
Balances with the National Bank of Cambodia	3	50,105	200,169	837,010	3,380,683
Balances with other banks	4	127,623	509,854	58,676	236,992
Loans to customers	5	2,180,452	8,710,906	33,004	133,303
Property and equipment	6	97,815	390,771	77,972	314,929
Software	7	131,892	526,909	-	-
Other assets	8	98,345	392,888	26,508	107,066
TOTAL ASSETS		2,726,384	10,891,904	1,033,651	4,174,916
LIABILITIES AND SHAREHOLDER'S EQUITY					
LIABILITIES					
Accounts payable and accrued expenses	9	113,672	454,120	88,214	356,297
Income tax payable	10	696	2,781	2	8
Due to related parties	17	30,133	120,381	45,861	185,232
Borrowings	11	2,150,000	8,589,250	-	-
Total liabilities		2,294,501	9,166,532	134,077	541,537
SHAREHOLDER'S EQUITY					
Share capital	12	1,000,000	3,995,000	1,000,000	4,039,000
Accumulated losses		(568,117)	(2,269,628)	(100,426)	(405,621)
Total shareholders' equity		431,883	1,725,372	899,574	3,633,379
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2,726,384	10,891,904	1,033,651	4,174,916

The attached notes 1 to 20 form part of these financial statements.

Income Statement

For the year ended 31 December 2012

		2012		For the period from 5 October 2011 to 31 December 2011	
	Notes	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
OPERATING INCOME					
Interest income	13	385,566	1,540,336	95	384
Interest expense	11	(6,219)	(24,845)	-	-
Net interest income		379,347	1,515,491	95	384
Fees, commissions and other income	14	18,045	72,090	8	32
Total operating income		397,392	1,587,581	103	416
Provision for losses on loans to customers	5	(7,235)	(28,904)	-	-
Other operating expenses	15	(853,812)	(3,410,979)	(100,527)	(406,029)
Loss before income tax		(463,655)	(1,852,302)	(100,424)	(405,613)
Income tax expense	10	(4,036)	16,124	(2)	(8)
NET LOSS FOR THE YEAR/PERIOD		(467,691)	1,868,426	(100,426)	(405,621)

Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital	Accumulated losses	Total
	US\$	US\$	US\$
Balance as at 1 January 2012	1,000,000	(100,426)	899,574
Net loss for the year	-	(467,691)	(467,691)
Balance as at 31 December 2012	1,000,000	(568,117)	431,883
KHR'000 equivalent (Note 2.3.1)	3,995,000	(2,269,628)	1,725,372
Balance as at 5 October 2011	-	-	-
Capital contribution	1,000,000	-	1,000,000
Net loss for the period	-	(100,426)	(100,426)
Balance as at 31 December 2011	1,000,000	(100,426)	899,574
KHR'000 equivalent (Note 2.3.1)	4,039,000	(405,621)	3,633,379

The attached notes 1 to 20 form part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2012

		2012		For the period from 5 October 2011 to 31 December 2011	
	Notes	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
OPERATING ACTIVITIES					
Loss before income tax		(463,655)	(1,852,302)	(100,424)	(405,613)
ADJUSTMENTS FOR:					
Depreciation and amortization	15	42,124	168,285	3,951	15,958
Income taxpaid	10	(3,342)	(13,351)	-	-
Cash used in operating activities		(424,873)	(1,697,368)	(96,473)	(389,655)
INCREASE IN OPERATING ASSETS:					
Balances with the NBC		-	-	(50,000)	(201,950)
Loans to customers		(2,147,448)	(8,579,055)	(33,004)	(133,303)
Other assets		(71,837)	(286,989)	(26,508)	(107,066)
INCREASE (DECREASE) IN OPERATING LIABILITIES:					
Accounts payable and accrued expenses		25,458	101,705	88,214	356,297
Due to related parties		(15,728)	(62,833)	45,861	185,232
Net cash used in operating activities		(2,634,428)	(10,524,540)	(71,910)	(290,445)
INVESTING ACTIVITIES					
Acquisition of property and equipment	6	(53,610)	(214,172)	(81,923)	(330,887)
Acquisition of software	7	(140,249)	(560,295)	-	-
Net cash used in investing activities		(193,859)	(774,467)	(81,923)	(330,887)
FINANCING ACTIVITIES					
Proceeds from borrowings	11	3,780,000	15,101,100	-	-
Payment of borrowings	11	(1,630,000)	(6,511,850)	-	-
Capital contribution		-	-	1,000,000	4,039,000
Net cash generated from financing activities		2,150,000	8,589,250	1,000,000	4,039,000
Net increase (decrease) in cash and cash equivalents		(678,287)	(2,709,757)	846,167	3,417,668
Cash and cash equivalents at beginning of year/period		846,167	3,417,668	-	-
Foreign exchange difference		-	(37,231)	-	-
Cash and cash equivalents at end of the year/period	4	167,880	670,680	846,167	3,417,668

The attached notes 1 to 20 form part of these financial statements.

1 Corporate Information

AEON Microfinance (Cambodia) Co., Ltd. ("the Company") is a licensed micro-finance institution ("MFI") incorporated and registered in the Kingdom of Cambodia.

Establishment and operations

The Company was incorporated as a private limited liability company in Cambodia on 5 October 2011 under Registration No. Co.2380 E/2011 issued by the Ministry of Commerce. On 7 October 2011, the Company obtained its license as a micro-finance institution from the National Bank of Cambodia ("NBC") dated 21 November 2011. The Company is wholly-owned by AEON Thana Sinsap (Thailand) Public Company Limited, a company registered in Thailand. The ultimate parent company is AEON Co., Ltd., a company registered in Japan.

The principal activities of the Company are as follows:

- Microfinance operations such as lending and saving;
- Lending services in the form of hire-purchase (installment) and loan;
- Borrowing of funds and mobilizing savings as appropriate subject to compliance with NBC's regulations; and
- Other business-related services subject to approval by the NBC.

Paid-up capital

The actual paid-up capital of the Company as at 31 December 2012 was US\$1,000,000 or KHR'000 3,995,000 (2011: US\$1,000,000 or KHR'000 4,039,000).

Board of Directors

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

Mr. Masao Mizuno	Chairman
Mr. Daisuke Maeda	Vice-Chairman and Managing Director
Mr. Om Seng Bora	Independent Director

Location

The head office of the Company is located at MOOV Business Center No.320, Monivong Boulevard, Sangkat Chaktumok, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

Employees

As at 31 December 2012, the Company had a total of 74 employees (2011: 26 employees).

2 Significant Accounting Policies

2.1 BASIS OF PREPARATION

The financial statements have been prepared based on the historical cost basis. The Company maintains records and prepares financial statements in United States dollar ("US\$") in accordance with NBC Prakas No. B7-07-164 dated 13 December 2007 on Using Language, Currency Unit and Exchange Rate for Accounting Records and Reports.

The financial statements of the Company have been prepared in compliance with Cambodian Accounting Standards ("CAS") and relevant regulations and guidelines issued by the NBC.

Transactions in currencies other than US\$ are translated into US\$ at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US\$ at the balance sheet date are translated into US\$ at the rates of exchange ruling at that date. Exchange differences arising on translation are recognized in the income statement.

FISCAL YEAR

The Company's fiscal year starts on 1 January and ends on 31 December. The initial fiscal period covered the period from 5 October 2011 (date of commencement of commercial operations) to 31 December 2011 for purposes of presenting the corresponding figures.

2.1.1 PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements, including their utilization, are not designed for those who are not informed about the Kingdom of Cambodia's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Kingdom of Cambodia.

The accounting policies set out below have been consistently applied by the Company during the period.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In applying the Company's accounting policies, management has used its judgment and made estimates in determining the amounts recognized in the financial statements, as follows:

2.2.1 ESTIMATED USEFUL LIVES OF PROPERTY AND EQUIPMENT

The useful life of each item of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease the carrying value of these nonfinancial assets. There is no change in the estimated useful lives of property and equipment during the year.

2.2.2 OPERATING LEASES

The Company has entered into property leases as a lessee for its office premises. The Company has determined that the lessor retained all the significant risks and rewards of ownership over this property based on the indicators of operating lease treatment. In determining whether or not there is an indication of operating lease treatment, the Company considers the following factors: retention of ownership title to the leased property, and period of lease contract relative to the estimated useful economic life of the leased property, bearer of executory costs, among others.

2.2.3 IMPAIRMENT LOSSES ON LOANS TO CUSTOMERS

When preparing the financial statements, the quality of loans to customers is reviewed and assessed to determine their classification and level of impairment losses, as more fully disclosed in Note 2.3.8.1.

2.2.4 IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 FOREIGN CURRENCY TRANSLATION

The Company's functional and presentation currency is US\$.

The financial statements are translated in KHR based on the closing exchange rate of KHR3,995 per US\$1 ruling at the reporting date (2011: KHR 4,039: US\$1), as announced by the NBC. Such translation should not be construed as a representation that KHR amounts represent, or have been or could be, converted into KHR at that or any other rate. All values in KHR are rounded to the nearest thousand ("KHR'000"), except as otherwise indicated.

2.3.2 IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated.

Evidence of impairment for loans to customers may include indications that a borrower or group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. There is however mandatory credit classification and

minimum provisioning that the Company has to follow to meet the requirement of the NBC, as disclosed in Note 2.3.8.1.

2.3.3 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

2.3.4 OPERATING LEASES

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

2.3.5 CASH AND CASH EQUIVALENTS

For cash flow statement purposes, cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with original maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

2.3.6 BALANCES WITH THE NATIONAL BANK OF CAMBODIA

Statutory deposit is maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and is determined at defined percentage of minimum share capital.

2.3.7 BALANCES WITH OTHER BANKS

Balances with other banks are carried at cost.

2.3.8 LOANS TO CUSTOMERS

Loans to customers are stated in the balance sheet at the amount of principal less any amounts written off and allowance for losses on loans.

Loans are written off when there is no realistic prospect of recovery. Recoveries of loans to customers previously written off, or provided for, decrease the amount of the provision for losses on loans to customers in the income statement.

Loans classified as substandard, doubtful or loss are considered non-performing.

2.3.8.1 LOAN CLASSIFICATION AND ALLOWANCE FOR LOSSES ON LOANS TO CUSTOMERS

The Company follows the mandatory credit classification and provisioning as required by Prakas No. B7-02-186 dated 13 September 2002. The Prakas requires licensed MFIs to classify their loan portfolio into four classes based on number of days past due of principal and/or interest repayment. The mandatory level of specific provisioning is provided depending on the loan classification, regardless of the assets (except cash) pledged as collateral, as follows:

Classification	Number of days past due	Rate of provision
LOANS (TERM OF LESS THAN ONE YEAR)		
• Standard	Nil to 30 days	0%
• Substandard	More than 30 days to 60 days	10%
• Doubtful	More than 60 days to 90 days	30%
• Loss	More than 90 days	100%
LOANS (TERM OF ONE YEAR AND ABOVE)		
• Standard	Nil to 30 days	0%
• Substandard	More than 30 days to 180 days	10%
• Doubtful	More than 180 days to 360 days	30%
• Loss	More than 360 days	100%

The specific provision is calculated as a percentage of the loan outstanding at the time the loan is classified, excluding accrued interest, and is charged as an expense. Interest on non-performing loans is not accrued.

Loans are written off to the income statement when the loans remain unpaid after 360 days. Loans written off are removed from the outstanding loan portfolio and from the provision for bad and doubtful loans.

Further, management provides additional loss allowance to loans classified as non-performing that are more than 120 days past due (other than those loans already classified as loss) such that these loans are also fully provided as at reporting date.

OVERDUE LOANS

In accordance with NBC Prakas B7-00-51K dated 17 February 2000, overdue loans are defined as the total outstanding principal where principal or interest are past due unless the payment terms on interest or principal have been adjusted. In general, loans are not allowed to be restructured. However, on certain rare cases, loans are allowed to be restructured once per cycle. The maximum additional extension of the term is up to 5 months and 50% of the original amount only.

The provision will be calculated as percentage of the loan amount outstanding at the time the loan is classified, excluding accrued interest. The provision shall be recorded in the Company's accounts and charged to the income statement for the month during which the corresponding loan has been classified below standard. The analysis of overdue loans is set out in Note 5.

2.3.9 Property and equipment

Property and equipment are stated at cost excluding day-to-day servicing less accumulated depreciation/amortization and provision for impairment in value (if any). Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate and treated as a change in accounting estimate.

2.3.10 Software

Software is stated at cost less accumulated amortization.

2.3.11 Depreciation and amortization

Depreciation and amortization of property and equipment are calculated on a straight-line basis, using the following rates:

Leasehold improvements	3 -10 years
Information technology ("IT") equipment and computers	3 - 5 years
Office equipment	2 - 3 years
Furniture and fixtures	5 years
Software	5 years

An item of property and equipment is derecognized upon disposal or when no future benefits are expected from its use. Any gain or loss on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the income statement in the period the asset is derecognized.

2.3.12 Recognition of income or expense

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Interest income or expense

Interest income from loans to customers, and balances with the NBC and other banks are recognized on an accrual basis, except for loans to customers that have been classified as substandard, doubtful or loss. Interest accruing to these loans shall instead be credited to an interest in suspense account.

Expense is recognized on an accrual basis.

(ii) Fee and commission income

The Company earns fee and commission income from a diverse range of services it provides to its customers, mainly from loan and deposits processing.

Fee and commission income is recognized on a cash basis.

2.3.13 Related parties

Parties are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice-versa, or where the Company and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Related parties, as defined in Article 49 and 50 of the Cambodian Law on Banking and Financial Institutions, include the following:

- (a) any person holding directly or indirectly at least ten percent (10%) of the capital or voting rights;
- (b) any company of which the Company directly or indirectly holds at least 10% of the capital or voting rights;
- (c) any individual who participates in the administration, direction, management or internal control; and
- (d) the external auditors.

2.3.14 Income tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the balance sheet date.

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these differences can be utilized, except where the deferred tax arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Unrecognized deferred income tax assets are re-assessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

2.3.15 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

3 Balances with the National Bank of Cambodia

	2012		2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Current account	105	419	787,010	3,178,733
Capital guarantee	50,000	199,750	50,000	201,950
	50,105	200,169	837,010	3,380,683

Under Prakas No. B7-00-06 on the Licensing of MFIs dated 11 January 2000, the Company is required to maintain a capital guarantee deposit equivalent to 5% of registered capital with the NBC. This deposit is not available for use in the Company's day-to-day operations but is refundable when the Company voluntarily ceases to operate the business in Cambodia.

The capital guarantee deposit earns interest at 0.18% - 0.20% per annum in 2012 (2011: 3.00% per annum) whereas the current account does not earn interest.

4 BALANCES WITH OTHER BANKS

	2012		2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Current accounts - US\$	127,623	509,854	58,676	236,992

These current accounts maintained with local banks do not earn interest.

For the purpose of the statement of cash flows, cash and cash equivalents comprise:

	2012		2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Cash on hand	40,152	160,407	481	1,943
Current account with NBC	105	419	787,010	3,178,733
Balances with other banks	127,623	509,854	58,676	236,992
	167,880	670,680	846,167	3,417,668

5 LOANS TO CUSTOMERS

Loans to customers are categorized as follows:

	2012		2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Loans to customers	2,055,640	8,212,282	29,475	119,049
Employee loans	132,047	527,528	3,529	14,254
Gross loans to customers	2,187,687	8,739,810	33,004	133,303
ALLOWANCE FOR LOSSES ON LOANS TO CUSTOMERS				
At beginning of year	-	-	-	-
Provision during year	7,235	28,904	-	-
Allowance at end of year	7,235	28,904	-	-
Loans to customers - net	2,180,452	8,710,906	33,004	133,303

Further analyses of loans to customers are set out below.

(a) The grading of the loan portfolio is as follows:

	2012		2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Standard Loans				
Unsecured	2,167,621	8,659,646	33,004	133,303
Substandard loans				
Unsecured	18,653	74,519	-	-
Doubtful Loans				
Unsecured	132	527	-	-
Loss loans				
Unsecured	1,281	5,118	-	-
Total gross loans	2,187,687	8,739,810	33,004	133,303

Refer to Note 18.1 on Credit risk for analysis of standard loans quality.

(b) For an analysis of loan portfolio by maturity, refer to Note 19 on Liquidity analysis.

(c) Analyses of loan portfolio by residency, relationship, and currency are as follows:

	2012		2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
RESIDENCE STATUS:				
Residents	2,187,687	8,739,810	33,004	133,303
Non-residents	-	-	-	-
	2,187,687	8,739,810	33,004	133,303
RELATIONSHIP:				
Related parties	-	-	-	-
Non-related parties	2,187,687	8,739,810	33,004	133,303
	2,187,687	8,739,810	33,004	133,303
BY CURRENCY:				
US\$	2,187,687	8,739,810	33,004	133,303

Annual interest rates are as follows:

	2012	2011
Individual	38.00% - 51.00%	24.00% - 34.80%

6 PROPERTY AND EQUIPMENT

	Leasehold improve- ments	Furniture and fixture	Office equipment	IT equip- ment and computers	Total
	US\$	US\$	US\$	US\$	US\$
COST					
As at 1 January 2012	7,776	6,557	6,789	60,801	81,923
Additions	5,686	11,672	14,050	22,202	53,610
Write-off	-	(5,428)	(552)	-	(5,980)
As at 31 December 2012	13,462	12,801	20,287	83,003	129,553
ACCUMULATED DEPRECIATION					
As at 1 January 2012	267	539	882	2,263	3,951
Depreciation	5,430	7,067	4,153	17,117	33,767
Write-off	-	(5,428)	(552)	-	(5,980)
As at 31 December 2011	5,697	2,178	4,483	19,380	31,738
NET BOOK VALUE					
As at 31 December 2012	7,765	10,623	15,804	63,623	97,815
As at 31 December 2011	7,509	6,018	5,907	58,538	77,972
KHR'000 EQUIVALENT (NOTE 2.3.1)					
As at 31 December 2012	31,021	42,439	63,137	254,174	390,771
As at 31 December 2011	30,329	24,307	23,858	236,435	314,929

7 SOFTWARE

	US\$	KHR'000 equivalent (Note 2.3.1)
COST		
As at 1 January 2012	-	-
Additions	140,249	560,295
As at 31 December 2012	140,249	560,295
ACCUMULATED AMORTIZATION		
As at 1 January 2012	-	-
Amortization	8,357	33,386
As at 31 December 2012	8,357	33,386
Net book value	131,892	526,909

8 OTHER ASSETS

	2012		2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Interest receivable	69,835	278,991	85	343
Rental and other deposits	17,683	70,643	16,759	67,690
Prepayments	10,827	43,254	9,664	39,033
	98,345	392,888	26,508	107,066

9 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2012		2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Payable to dealers and suppliers	79,157	316,232	81,571	329,465
Accrued expenses	19,716	78,766	2,290	9,250
Advance payments from customers	8,008	31,992	-	-
Tax liabilities	6,791	27,130	4,353	17,582
	113,672	454,120	88,214	356,297

Tax liabilities include salary tax and other withholding taxes payable.

10 INCOME TAX REPORT

10.1 Current income tax

The Company's tax returns are subject to examination by the General Department of Taxation ("GDT"). Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the GDT.

Applicable tax rates

In accordance with Cambodian tax law, the Company has the obligation to pay tax on profit ("ToP") at the rate of 20% of taxable income or minimum tax at 1% of turnover inclusive of all taxes except value-added tax, whichever is higher.

Income tax expense of US\$ 4,036 or KHR'000 1,868,426 (2011: US\$ 2 or KHR'000 8) represents minimum tax for the year.

Income tax payable

	2012		2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Balance at beginning of year	2	8	-	-
Income tax expense	4,036	16,124	2	8
Income tax paid	(3,342)	(13,351)	-	-
	696	2,781	2	8

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

	2012		For the period from 5 October 2011 to 31 December 2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Loss before income tax	(463,655)	(1,852,302)	(100,424)	(405,613)
Taxable income	8,008	31,992	-	-
Non-deductible expenses	62,411	249,332	4,457	18,002
Deductible temporary differences	(69,465)	(277,513)	(31,286)	(126,364)
Tax loss	(462,701)	(1,848,491)	(127,253)	(513,975)
Current income tax, at the statutory rate of 20%	-	-	-	-
Current income tax, at the statutory rate of 1% of turnover	4,036	16,124	2	8
Total current income tax	4,036	16,124	2	8

10.2 Deferred income tax

Tax loss carried forward

The Company is entitled to carry each individual tax loss forward to offset against taxable profits arising within five (5) years subsequent to the year in which the loss is incurred. At the balance sheet date, the Company had estimated accumulated losses of US\$589,954 available for offset against future taxable profits. Details are as follows:

Originating year	Can be utilized up to	Tax loss amount US\$	Utilized up to 2012	Forfeited US\$	Unutilized at 31 December 2012 US\$
2011	2016	127,253	-	-	127,253
2012	2017	462,701	-	-	462,701
Total		589,954	-	-	589,954
KHR'000 equivalent (Note 2.3.1)		2,356,866	-	-	2,356,866

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

As at 31 December 2012, recognized deferred income tax consists of:

	31 December 2012		31 December 2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Deferred tax liability on depreciation of property and equipment	(21,222)	(84,782)	(6,257)	(25,272)
Deferred tax asset on tax losses	21,222	84,782	6,257	25,272
At the end of the year	-	-	-	-

The Company did not recognize deferred income tax on the remaining temporary difference arising from tax losses and allowance for losses on loans to customers recognized beyond the requirement of NBC due to uncertainty of taxable profit that will be available in the future against which the deductible temporary difference can be utilized, with details as follows:

	31 December 2012	31 December 2011
	US\$	US\$
Unused tax losses	483,844	95,968
Allowance for losses on loans to customers	4,050	-
	487,894	95,968
KHR'000 equivalent (Note 2.3.1)	1,949,137	387,615

11 BORROWINGS

These represent short-term borrowings from overseas banks which will mature in January 2013, with interest at rates ranging from 0.96% to 1.34% per annum. Interest expense during the year amounted to US\$6,219.

12 SHARE CAPITAL

	2012		2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Issued and fully paid	1,000,000	3,995,000	1,000,000	4,039,000

Share capital of the Company consists of 1,000,000 authorized number of shares with par value per share of US\$1.

13 INTEREST INCOME

	2012		For the period from 5 October 2011 to 31 December 2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Loans to customers	385,471	1,539,957	85	343
Capital guarantee	95	379	10	41
	385,566	1,540,336	95	384

14 FEES, COMMISSIONS AND OTHER INCOME

	2012		For the period from 5 October 2011 to 31 December 2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Fee and other income	18,020	71,990	63	254
Gain on foreign exchange	555	2,217	-	-
Loss on foreign exchange	(530)	(2,117)	(55)	(222)
	18,045	72,090	8	32

15 OTHER OPERATING EXPENSES

	2012		For the period from 5 October 2011 to 31 December 2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Personnel	543,587	2,171,630	53,421	215,767
Promotion and advertising	44,735	178,716	5,965	24,093
Depreciation and amortization (Note 6 and 7)	42,124	168,285	3,951	15,958
Travel	39,646	158,386	6,456	26,076
Officer ental	28,160	112,499	3,520	14,217
Stationeries and printing	25,616	102,336	2,359	9,528
Vehicle rental and running costs	20,948	83,687	1,908	7,706
Communication	20,249	80,895	1,461	5,901
Professional fees	15,862	63,369	4,250	17,166
Taxes and licenses	15,502	61,930	2,487	10,045
Repairs and maintenance	13,638	54,484	2,375	9,593
Utilities	10,867	43,414	1,120	4,524
Insurance	6,013	24,022	-	-
Others	26,865	107,326	11,254	45,455
	853,812	3,410,979	100,527	406,029

Others include dues and membership, Credit Bureau of Cambodia expense, entertainment, donation, bank charges and non-capitalized furniture, fixtures and equipment.

16 COMMITMENTS

The Company leases office premises under an operating lease arrangement with minimum lease commitments as follows:

	2012		2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Within one year	20,800	83,096	19,200	77,549
From two to three years	-	-	12,800	51,699
	20,800	83,096	32,000	129,248

17 RELATED PARTY TRANSACTIONS AND BALANCES

- (i) Balances with related parties
Amounts due to related parties

Related party	Transaction	2012		2011	
		US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
AEON Credit Service Co., Ltd	Payment on behalf	30,133	120,381	21,933	88,587
ACS Capital Corporation Limited	Transfer of asset	-	-	23,928	96,645
		30,133	120,381	45,861	185,232

- (ii) Directors and key management personnel compensation
Compensation including other benefits of directors and key management personnel for the period amounted to US\$182,702 or KHR729.89 million (2011: US\$32,983 or KHR133.22 million).

18 FINANCIAL RISK MANAGEMENT REPORT

The Company's activities are exposed to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Taking risk is core to the financial business, and operational risks are an inevitable consequence of being in business.

In the absence of the derivatives market in Cambodia, the Company does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to manage its risk exposure.

The Company intends to comply with the NBC's regulations for financial risk management purposes. The Company however recognizes that international best practices on risk management are yet to be fully implemented. The Board of Directors has established a Risk Management Section to formulate broad parameters of acceptable risk for the Company and monitor the activities against these parameters.

The Company holds the following financial assets and liabilities:

	2012		2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
FINANCIAL ASSETS				
Cash on hand	40,152	160,407	481	1,943
Balances with NBC	50,105	200,169	837,010	3,380,683
Balances with other banks	127,623	509,854	58,676	236,992
Loans to customers	2,180,452	8,710,906	33,004	133,303
Other assets	84,685	338,316	10,295	41,581
Total financial assets	2,483,017	9,919,652	939,466	3,794,502

	2012		2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
FINANCIAL LIABILITIES				
Accounts payable and accrued expenses	96,873	387,008	83,861	338,715
Due to related parties	30,133	120,381	45,861	185,232
Borrowings	2,150,000	8,589,250	-	-
Total financial liabilities	2,277,006	9,096,639	129,722	523,947

18.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business. Credit exposure arises principally in lending activities that lead to loans to customers. The credit risk management is carried out by the Company's Risk Management Section.

(a) Credit risk measurement

The Company assesses the probability of default of individual counterparties in accordance with its credit policy, procedures and practices. Risk Management Section is responsible for determining the risk rating policies.

(b) Risk limit control and mitigation policies

The Company operates and provides loans to individuals within the Kingdom of Cambodia. The Company manages, limits and controls the concentration of credit risk whenever it is identified. Large exposure is defined by the NBC as overall credit exposure to any single beneficiary which exceeds 2% for individual loan and 3% for group loan of the Company's net worth under the conditions of Prakas No. B7-07-163 of the NBC.

(c) Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provisioning in accordance with the relevant Prakas, as disclosed in Note 2.3.8.1.

(d) Loans to customers

Loans to customers are summarized as follows:

	2012		2011	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Loans to customers neither past due nor impaired (i)	2,156,289	8,614,375	33,004	133,303
Loans to customers past due but not impaired (ii)	11,332	45,271	-	-
Loans to customers individually impaired (iii)	20,066	80,164	-	-
Loans to customers, gross	2,187,687	8,739,810	33,004	133,303

For purposes of loan provisioning, expected recovery from collateral (except cash) is not taken into consideration based on NBC's requirement.

- (i) Loans to customers neither past due nor impaired
Loans to customers not past due are not considered impaired, unless other information is available to indicate the contrary.
- (ii) Loans to customers past due but not impaired
Loans to customers less than 30 days past due are not considered impaired, unless other information is available to indicate the contrary.
- (iii) Loans and advances individually impaired
In accordance with Prakas No. B7-02-186 dated 13 September 2002 on the classification and provisioning for bad and doubtful debts, loans and advances past due more than 30 days are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

18.2 Market risk

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

In the absence of derivatives market, the Company does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hedge its risk exposure.

- (i) Foreign exchange risk
The Company operates in the Kingdom of Cambodia and transacts in many currencies, and is exposed to various currency risks, primarily with respect to US\$.

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency.

As at 31 December 2012, balances in monetary assets and liabilities denominated in currencies other than US\$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

(ii) Price risk

The Company is not exposed to securities price risk because it does not hold any investment classified on the balance sheet either as available for sale or at fair value through profit or loss.

(iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes and may reduce losses in the event that unexpected movements arise. The management of the Company at this stage does not have a policy to set limits on the level of mismatch of interest rate re-pricing that may be undertaken; however, the management regularly monitors the mismatch.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. The Company manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

It includes the Company's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

The Company has no financial assets and liabilities with floating interest rates. Balance with the NBC, balance with other banks earn fixed interest rates for the period of the deposit and placement and loans to customers earns fixed interest rate based on outstanding balance over the agreed terms.

18.3 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Company's management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the daily cash position and projection for the next day, week and month respectively, as these are key periods for liquidity management. Management monitors the movements of the main depositors and projection of their withdrawals.

The table in Note 19 is an analysis of the assets and liabilities of the Company by relevant maturity based on the remaining period at the balance sheet date to the contractual or estimated maturity dates.

18.4 Fair value of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Company's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values. In making this assessment, the management assumes that loans to customers are mainly held to maturity with fair values equal to the book value of loans to customers adjusted for provision for loan losses, if any.

19 LIQUIDITY RISK REPORT

As at 31 December 2012	Up to 1 month US\$	>1 to 3 months US\$	>3 to 12 months US\$	>1 to 5 years US\$	Over 5 years US\$	No fixed ma- turity date US\$	Total US\$
FINANCIAL ASSETS							
Cash on hand	40,152	-	-	-	-	-	40,152
Balances with the NBC	105	-	-	-	-	50,000	50,105
Balances with other banks	127,623	-	-	-	-	-	127,623
Loans to customers	157,799	355,610	1,163,444	503,599	-	-	2,180,452
Other assets	69,835	-	-	14,850	-	-	84,685
Total financial assets	395,514	355,610	1,163,444	518,449	-	50,000	2,483,017
FINANCIAL LIABILITIES							
Accounts payable and accrued expenses	96,873	-	-	-	-	-	96,873
Due to related parties	-	30,133	-	-	-	-	30,133
Borrowings	2,150,000	-	-	-	-	-	2,150,000
Total financial liabilities	2,246,873	30,133	-	-	-	-	2,277,006
Net liquidity surplus (gap) - US\$	(1,851,359)	325,477	1,163,444	518,449	-	50,000	206,011
KHR'000 equivalent (Note 2.3.1)	(7,396,179)	1,300,280	4,647,959	2,071,204	-	199,750	823,014

As at 31 December 2012	Up to 1 month US\$	>1 to 3 months US\$	>3 to 12 months US\$	>1 to 5 years US\$	Over 5 years US\$	No fixed ma- turity date US\$	Total US\$
FINANCIAL ASSETS							
Cash on hand	481	-	-	-	-	-	481
Balances with the NBC	787,010	-	-	-	-	50,000	837,010
Balances with other banks	58,676	-	-	-	-	-	58,676
Loans to customers	408	5,185	21,639	5,772	-	-	33,004
Other assets	85	-	-	10,210	-	-	10,295
Total financial assets	846,660	5,185	21,639	15,982	-	50,000	939,466
FINANCIAL LIABILITIES							
Accounts payable	-	83,861	-	-	-	-	83,861
Due to related parties	45,861	-	-	-	-	-	45,861
Total financial liabilities	45,861	83,861	-	-	-	-	129,722
Net liquidity surplus (gap) - US\$	800,799	(78,676)	21,639	15,982	-	50,000	809,744
KHR'000 equivalent (Note 2.3.1)	3,234,427	(317,772)	87,400	64,551	-	201,950	3,270,556

20 SUBSEQUENT EVENTS

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2012 that had significant impact on the financial position of the Company as at 31 December 2012.



AEON MICROFINANCE (CAMBODIA) PRIVATE COMPANY LIMITED