



ANNUAL REPORT 2011

(Financial Year Ended December 31, 2011)



អ៊ីអេន មីក្រូហ្វហ្វាញ់ស៊ីន (ខេមបូឌា)
AEON MICROFINANCE (CAMBODIA) CO., LTD.

Content

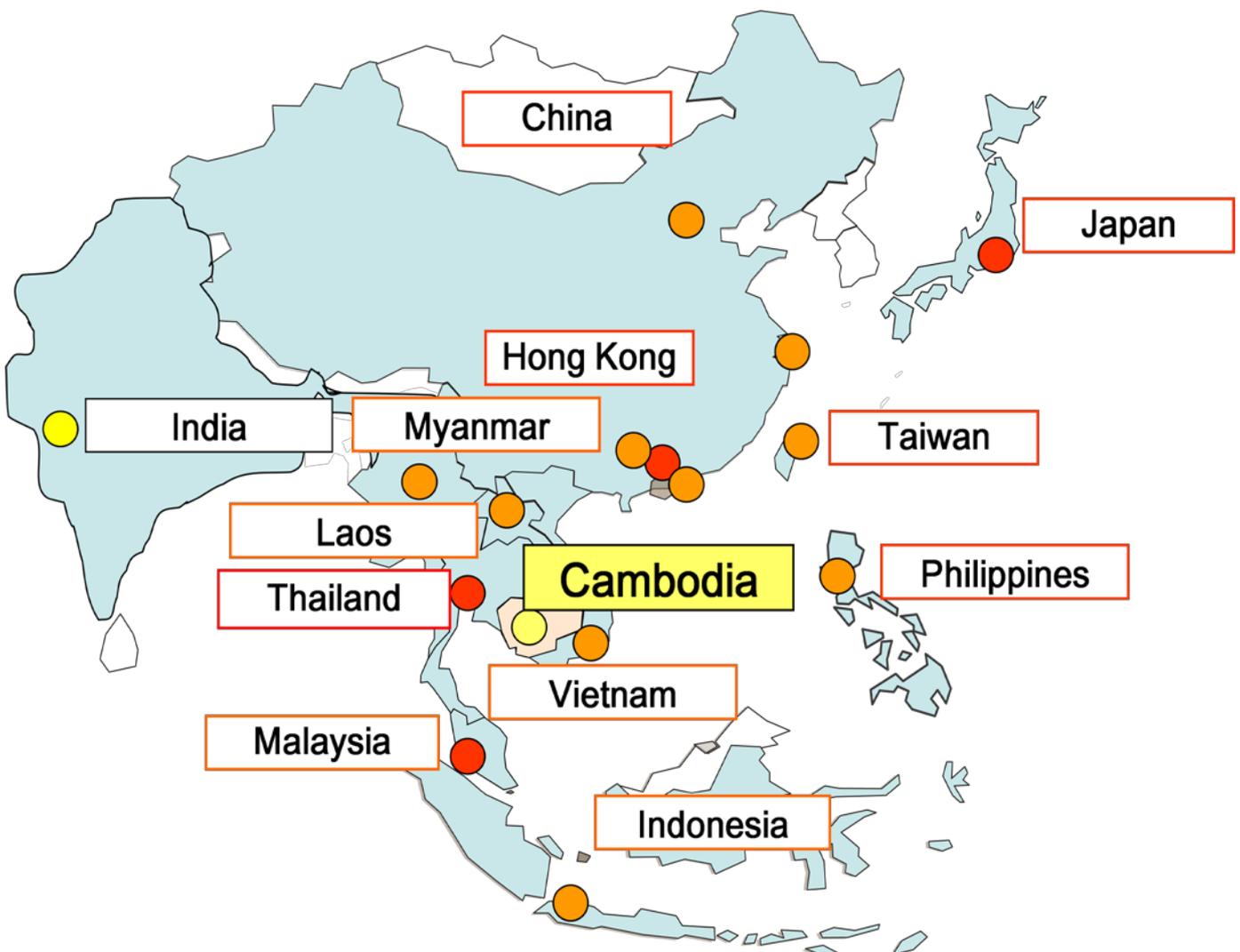
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AEON MICROFINANCE (CAMBODIA) PRIVATE COMPANY LIMITED

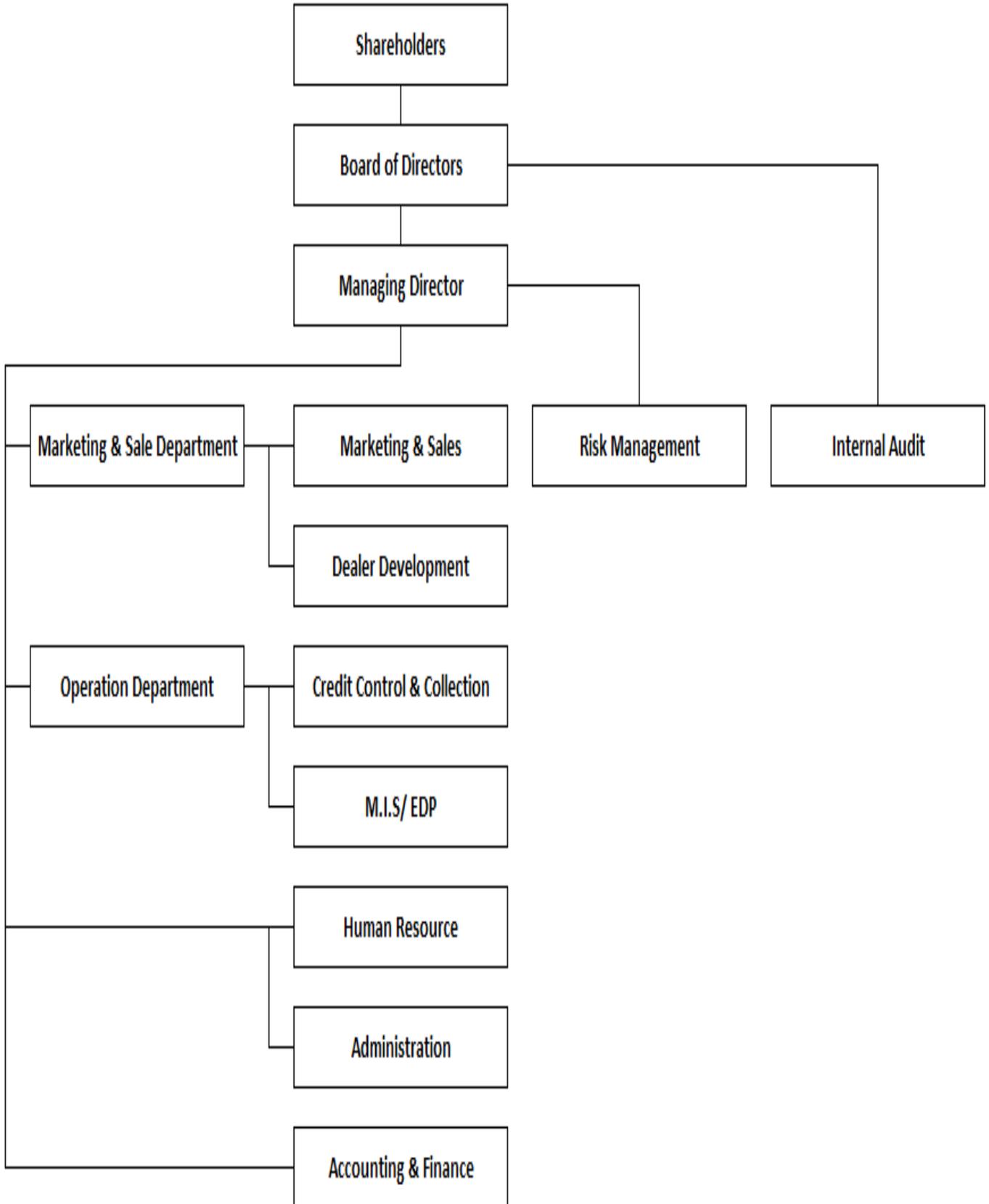
Description of AEON MICROFINANCE (CAMBODIA) PRIVATE COMPANY LIMITED

AEON MICROFINANCE (Cambodia) PRIVATE COMPANY LIMITED 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 Credit Service Co., Ltd., a company registered in Japan.

Our philosophy is to “support cardholders’ lifestyles and enable each individual to maximize future opportunities through effective use of credit.”



Organizational Structure



Shareholders

As of the end of 2011, AEON MICROFINANCE (CAMBODIA) PRIVATE COMPANY LIMITED has the total capital of USD 1,000,000. The Company is wholly-owned by AEON Thana Sinsap (Thailand) Public Company Limited, a company registered in Thailand. The ultimate parent company is AEON Credit Service Co., Ltd., a company registered in Japan.

Board of Directors



Mr. Masao Mizuno

Position : Chairman of the Board Director
Age : 53
Education Background : Bachelor in Law, Aichi Gakuin University, Japan
Directors Certificate, Thai Institute of Directors Association

Working Experience for the last 5 years

1992 – Present : Director, AEON Thana Sinsap (Thailand) Public Company Limited

2006 – Present : Director, AEON (Thailand) Co., Ltd.

2007 – Present : Director, Serving (Thailand) Company Limited

2011 – Present : Director, Senior Managing Executive Officer, AEON Credit Service Co., Ltd

2001 – 2011 : Director, ACS Capital Corporation Limited

2005 – 2011 : Director, ACS Insurance Broker (Thailand) Company Limited

2006 – 2011 : Director, ACS Life Insurance Broker (Thailand) Company Limited

2007 – 2011 : Director, Thailand Foundation



Mr. Daisuke Maeda

Position : Vice-chairman of the Board of Director and Managing Director

Age : 35

Education Background : Bachelor in of Mass Communication, Kansai University, Japan

Working Experience for the last 5 years

2009 – 2011 : 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

2005 – 2006 : Manager Credit Control Department AEON Thana Sinsap (Thailand) Public Company



Mr. Om Seng Bora

Position : Independent Director

Age : 34

Education Background : 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

Report from Board of Directors

The Board of Directors (“BoD”) of AEON MICROFINANCE (CAMBODIA) PRIVATE COMPANY LIMITED (“the Company”) is pleased to present its report and the Company’s financial statements as at 31 December 2011 and for the period from 5 October to 31 December 2011 (“the period”).

Principle Activity

The principal activities of the Company are as follows

- Microfinance operations such as lending and saving
- Lending service 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 the approval by the NBC

RESULT OF OPERATIONS

Loss for the period after taxation was US\$100,426 or KHR405,621,000

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL LOANS

Before the financial statements of the Company were drawn up, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and the making of provisions for bad and doubtful loans, and satisfied themselves that all known bad loans had been written off and that adequate provisions had been made for bad and doubtful loans.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad loans or the amount of the provision for bad and doubtful loans in the financial statements of the Company inadequate to any material extent.

CURRENT ASSETS

Before the financial statements of the Company were drawn up, the BoD took reasonable steps to ascertain that any current assets, other than loans, which were unlikely to be realized in the ordinary course of business at their value as shown in the accounting records of the Company, have been written down to an amount which they might be expected to realize. At the date of this report, the BoD is not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading or inappropriate in any material respect.

VALUATION METHODS

At the date of this report, the BoD 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 financial statements of the Company misleading or inappropriate in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

No charge on the assets of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; and

No contingent liability in respect of the Company that has arisen since the end of the financial period other than in the ordinary course of micro-financing business.

No contingent or other liabilities of the Company have become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the BoD, 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 BoD 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.

ITEMS OF UNUSUAL NATURE

The results of the operations of the Company for the financial period were not, in the opinion of the BoD, substantially affected by any item, transaction or event of a material and unusual nature.

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

EVENTS SINCE THE BALANCE SHEET 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.

THE BOARD OF DIRECTORS ("BoD")

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

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

AUDITORS

The auditors, Ernst & Young, expressed willingness to accept reappointment as auditors.

DIRECTORS' INTERESTS

No members held any interest in the equity of the Company. No arrangements existed to which the Company is a party with the object of enabling the members to obtain an interest in the Company or in any body corporate.

DIRECTORS' BENEFITS

During and at the end of the period, no arrangement existed, to which the Company was a party, whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

No director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in the financial statements) by reason of a contract made by the Company or with a firm which the director is a member, or with a company which the director has a material financial interest other than those disclosed in the financial statements.

BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The BoD is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2011, and its financial performance and cash flows for the period then ended. In preparing these financial statements, the Board of Directors is required to:

Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;

Comply with Cambodian Accounting Standards, and relevant regulations and guidelines issued by the NBC or, if there has been any departure in the interests of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;

Maintain adequate accounting records and an effective system of internal controls;

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

Set overall policies for the Company, ratify all decisions and actions by the BoD that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the financial statements.

The BoD is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The BoD confirms that the Company has complied with these requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Company as at 31 December 2011, and its financial performance and cash flows for the period then ended, in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the NBC.

On behalf of the Board of Directors

Daisuke Maeda

Vice-Chairman and Managing Director

Phnom Penh, Kingdom of Cambodia
28 March 2012

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of AEON MICROFINANCE (CAMBODIA) PRIVATE COMPANY LIMITED

We have audited the accompanying financial statements of AEON MICROFINANCE (CAMBODIA) PRIVATE COMPANY LIMITED ("the Company"), which comprise the balance sheet as at 31 December 2011, and the income statement, statement of changes in equity and statement of cash flows for the period from 5 October to 31 December 2011 ("the period"), and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements 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

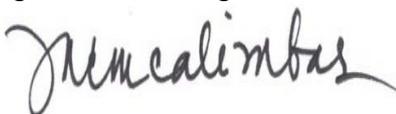
Our responsibility is to express an opinion on these financial statements. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's 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 2011, and its financial performance and cash flows for the period 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

28 March 2012

AEON Microfinance (Cambodia) Private Company Limited

BALANCE SHEET as at 31 December 2011

		<u>2011</u>	
	<i>Notes</i>	<i>US\$</i>	<i>KHR'000 equivalent (Note 2.3.1)</i>
ASSETS			
Cash on hand		481	1,943
Balances with NBC	3	837,010	3,380,683
Balances with other banks	4	58,676	236,992
Loans to customers	5	33,004	133,303
Other assets	6	26,508	107,066
Property and equipment	7	<u>77,972</u>	<u>314,929</u>
TOTAL ASSETS		<u>1,033,651</u>	<u>4,174,916</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Accounts payable	8	83,861	338,714
Tax liabilities		4,355	17,590
Due to related parties	13	<u>45,861</u>	<u>185,233</u>
Total liabilities		<u>134,077</u>	<u>541,537</u>
SHAREHOLDERS' EQUITY			
Share capital	9	1,000,000	4,039,000
Net loss for the period		<u>(100,426)</u>	<u>(405,621)</u>
Total shareholders' equity		<u>899,574</u>	<u>3,633,379</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>1,033,651</u>	<u>4,174,916</u>

AEON Microfinance (Cambodia) Private Company Limited

INCOME STATEMENT

for the period from 5 October to 31 December 2011

		<u>2011</u>	
	<i>Notes</i>	<i>US\$</i>	<i>KHR'000</i>
			<i>equivalent</i>
			<i>(Note 2.3.1)</i>
Operating income			
Interest income		95	384
Fees and commission income		<u>63</u>	<u>254</u>
Total operating income		158	638
Operating expenses	10	<u>(100,582)</u>	<u>(406,251)</u>
Loss before tax		(100,424)	(405,613)
Income tax expense	11	<u>(2)</u>	<u>(8)</u>
Net loss for the period		<u>(100,426)</u>	<u>(405,621)</u>

AEON Microfinance (Cambodia) Private Company Limited

STATEMENT OF CHANGES IN EQUITY for the period from 5 October to 31 December 2011

	<i>Note</i>	<i>Share capital</i>	<i>Net loss</i>	<i>Total</i>
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Balance as at 5 October 2011		-	-	-
Capital contribution	10	1,000,000	-	1,000,000
Net loss for the period		-	(100,426)	(100,426)
Balance as at 31 December 2011		<u>1,000,000</u>	<u>(100,426)</u>	<u>899,574</u>
<i>KHR'000 equivalent (Note 2.3.1)</i>		<u>4,039,000</u>	<u>(405,621)</u>	<u>3,633,379</u>

AEON Microfinance (Cambodia) Private Company Limited

STATEMENT OF CASH FLOWS

for the period from 5 October to 31 December 2011

		<u>2011</u>	
	<i>Notes</i>	<i>US\$</i>	<i>KHR'000</i>
			<i>equivalent</i>
			<i>(Note 2.3.1)</i>
Operating activities			
Loss before income tax		(100,424)	(405,613)
Adjustment for depreciation		<u>3,951</u>	<u>15,958</u>
Cash used in operating activities before changes in operating assets and liabilities		(96,473)	(389,655)
Increase in operating assets and liabilities:			
Balances with the NBC		(50,000)	(201,950)
Loans to customers		(33,004)	(133,303)
Other assets		(26,508)	(107,066)
Accounts payable		83,861	338,714
Tax liabilities		4,353	17,582
Due to related parties		<u>45,861</u>	<u>185,233</u>
Net cash used in operating activities		(71,910)	(290,445)
Investing activity			
Acquisition of property and equipment	7	(81,923)	(330,887)
Financing activity			
Capital contribution	9	<u>1,000,000</u>	<u>4,039,000</u>
Cash and cash equivalents at end of period	4	<u>846,167</u>	<u>3,417,668</u>

AEON Microfinance (Cambodia) Private Company Limited

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2011 and for the period from 5 October to 31 December 2011

1. CORPORATE INFORMATION

AEON Microfinance (Cambodia) Private Company Limited (“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 Credit Service 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 2011 is US\$1,000,000 or KHR 4,039,000,000.

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 On Seng Bora	Independent Director

Location

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

Employees

As at 31 December 2011, the Company has a total of 26 employees.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

The financial statements of the Company have been prepared on the historical cost basis. The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Company transacts and maintains its accounting records primarily in United States dollar (“US\$”), management has determined the US\$ to be the Company’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

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 financial statements were presented based on the initial fiscal year that covered the period from 5 October to 31 December 2011. The Company’s fiscal year starts on 1 January and ends on 31 December.

2.1.1 *Presentation of financial statements*

The financial statements of the Company have been prepared in accordance with Cambodian Accounting Standards and relevant regulations and guidelines of the NBC.

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 *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 2.3.7.1.

2.3 Summary of significant accounting policies

2.3.1 Foreign currency translation

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

The translation of US\$ into KHR is solely for management's use only and is based on the closing exchange rate of KHR 4,039: US\$ 1 ruling at the reporting date, as announced by the NBC. Such translation should not be construed as a representation that the KHR amounts represent, or have been or could be, converted into KHR at that or any other rate.

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 2.3.7.1.

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 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 and placement with banks

Balances and placement with banks are carried at cost.

2.3.7 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.

2.3.7.1 Loans classifications 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:

<i>Classification</i>	<i>Number of days past due</i>	<i>Rate of provision</i>
<i>Loans (less than one year)</i>		
• Standard	Nil	0%
• Substandard	More than 30 days	10%
• Doubtful	More than 60 days	30%
• Loss	More than 90 days	100%
<i>Loans (more than one year)</i>		
• Standard	Nil	0%
• Substandard	More than 30 days	10%
• Doubtful	More than 180 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 180 days for loans with maturities of one year or less and after 360 days for loans with maturity of more than one year. Loans written off are removed from the outstanding loan portfolio and from the provision for bad and doubtful loans.

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.

2.3.8 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.

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
IT equipment and computers	3 - 5 years
Office equipment	2 - 3 years
Office furniture and fixtures	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.

2.3.9 Deposits and placements with banks

Deposits and placements with banks are carried at cost.

2.3.10 Other receivables

Other receivables included in other assets are carried at anticipated realizable values. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

2.3.11 Statutory deposits

Statutory deposits for banking-related activities are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and are determined at defined percentages of minimum share capital and customers' deposits as required by the NBC.

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 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 Group 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 Group 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 Corporate 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 NBC

	<i>2011</i>	
	<i>US\$</i>	<i>KHR'000 equivalent</i>
		<i>(Note 2.3.1)</i>
Current account	787,010	3,178,733
Capital guarantee	50,000	201,950
	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 3% per annum whereas the current account does not earn interest.

4. BALANCES WITH OTHER BANKS

	<u>2011</u>	
	<i>US\$</i>	<i>KHR'000 equivalent</i>
		<i>(Note 2.3.1)</i>
Current accounts - US\$	<u>58,676</u>	<u>236,992</u>

Cash in banks consist of current accounts with local banks which do not earn interest.

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

	<u>2011</u>	
	<i>US\$</i>	<i>KHR'000 equivalent</i>
		<i>(Note 2.3.1)</i>
Cash on hand	481	1,943
Current account with NBC	787,010	3,178,733
Current accounts with other banks	<u>58,676</u>	<u>236,992</u>
	<u>846,167</u>	<u>3,417,668</u>

5. LOANS TO CUSTOMERS

Loans to customers are categorized as follows:

	<u>2011</u>	
	<i>US\$</i>	<i>KHR'000 equivalent</i>
		<i>(Note 2.3.1)</i>
Loans to customers	29,475	119,050
Employee loans	<u>3,529</u>	<u>14,253</u>
	<u>33,004</u>	<u>133,303</u>

Further analyses of loans to customers are set out below.

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

	<u>2011</u>	
	<i>US\$</i>	<i>KHR'000 equivalent</i>
	<i>(Note 2.3.1)</i>	
Standard loans:		
Secured	-	-
Unsecured	33,004	133,303
Substandard loans:		
Secured	-	-
Unsecured	-	-
Doubtful loans:		
Secured	-	-
Unsecured	-	-
Loss loans:		
Secured	-	-
Unsecured	-	-
Total gross loans	<u>33,004</u>	<u>133,303</u>

Refer to Note 14.1 on Credit risk for analysis of standard loans quality.

(c) For an analysis of loan portfolio by maturity, refer to Note 15 on Liquidity analysis.

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

	<i>2011</i>	
	<i>US\$</i>	<i>KHR'000 equivalent</i>
	<i>(Note 2.3.1)</i>	
Residence status:		
Residents	33,004	133,303
Non-residents	-	-
	<u>33,004</u>	<u>133,303</u>
Relationship:		
Related parties	-	-
Non-related parties	33,004	133,303
	<u>33,004</u>	<u>133,303</u>
By currency:		
US\$	<u>33,004</u>	<u>133,303</u>

Annual interest rates are as follows:

	<i>2011</i>
Individual	24% - 34.80%

6. OTHER ASSETS

	<i>2011</i>	
	<i>US\$</i>	<i>KHR'000 equivalent</i>
	<i>(Note 2.3.1)</i>	
Rental and other deposits	16,759	67,690
Prepayments	9,664	39,033
Interest receivable	85	343
	<u>26,508</u>	<u>107,066</u>

7. PROPERTY AND EQUIPMENT

	<i>Leasehold improvements</i>	<i>Furniture and fixture</i>	<i>Office equipment</i>	<i>IT equipment and computers</i>	<i>Total</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Cost:					
At 5 October 2011	-	-	-	-	-
Additions	<u>7,776</u>	<u>6,557</u>	<u>6,789</u>	<u>60,801</u>	<u>81,923</u>
At 31 December 2011	<u>7,776</u>	<u>6,557</u>	<u>6,789</u>	<u>60,801</u>	<u>81,923</u>
Accumulated depreciation:					
At 5 October 2011	-	-	-	-	-
Charge for the period	<u>267</u>	<u>539</u>	<u>882</u>	<u>2,263</u>	<u>3,951</u>
At 31 December 2011	<u>267</u>	<u>539</u>	<u>882</u>	<u>2,263</u>	<u>3,951</u>
Net book value:					
At 31 December 2011	<u>7,509</u>	<u>6,018</u>	<u>5,907</u>	<u>58,538</u>	<u>77,972</u>
<i>Equivalent in KHR'000 (Note 2.3.1)</i>	<u>30,329</u>	<u>24,307</u>	<u>23,858</u>	<u>236,435</u>	<u>314,929</u>

8. ACCOUNTS PAYABLE

	<i>2011</i>	
	<i>US\$</i>	<i>KHR'000 equivalent</i>
Property and equipment	56,523	228,296
Dealers	24,410	98,592
Others	<u>2,928</u>	<u>11,826</u>
	<u>83,861</u>	<u>338,714</u>

(Note 2.3.1)

9. SHARE CAPITAL

	<i>2011</i>	
	<i>US\$</i>	<i>KHR'000 equivalent</i>
		<i>(Note 2.3.1)</i>
Issued and fully paid	<u>1,000,000</u>	<u>4,039,000</u>

10. OPERATING EXPENSES

	<i>For the period from 5 October 2011 to 31 December 2011</i>	
	<i>US\$</i>	<i>KHR'000 equivalent</i>
		<i>(Note 2.3.1)</i>
Personnel	53,421	215,767
Pre-operating expenses	9,664	39,033
Travelling	6,456	26,076
Promotion and advertising	5,965	24,093
Professional fees	4,679	18,898
Depreciation	3,951	15,958
Officer rental	3,520	14,217
Stationeries and printing costs	2,893	11,685
Repairs and maintenance	2,375	9,593
Vehicle rental and running costs	1,908	7,706
Telecommunication	1,461	5,901
Utilities	1,120	4,524
Others	3,169	12,800
	<u>100,582</u>	<u>406,251</u>

11. INCOME TAX EXPENSE

Income tax expense represents minimum tax for the period.

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.

Besides the ToP, taxpayers in Cambodia are subject to a separate minimum tax. The minimum tax is an annual tax equal to 1% of turnover inclusive of all taxes, except value-added tax, and is due irrespective of the taxpayers' profit or loss position. Minimum tax for the period from 5 October to 31 December 2011 has been provided at 1% of revenue.

12. COMMITMENTS

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

	<u>2011</u>	
	<i>US\$</i>	<i>KHR'000 equivalent</i>
		<i>(Note 2.3.1)</i>
Within one year	19,200	77,549
From two to three years	<u>12,800</u>	<u>51,699</u>
	<u><u>32,000</u></u>	<u><u>129,248</u></u>

13. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Balances with related parties

Amounts due to related parties

Related parties

Transaction

2011

US\$

*KHR'000
equivalent*

(Note 2.3.1)

ACS Capital Corporation Limited

Transfer of asset

23,928

96,645

AEON Credit Service Co., Ltd

Payment on behalf

21,933

88,588

45,861

185,233

(ii) Key management personnel compensation

Compensation including other benefits of key management for the period amounted to US\$ 32,983 or KHR'000 133,219.

14. FINANCIAL RISK MANAGEMENT

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:

	2011	
	US\$	KHR'000 equivalent
		(Note 2.3.1)
Financial assets		
Cash on hand	481	1,943
Balances with NBC	837,010	3,380,683
Balances with other banks	58,676	236,992
Loans to customers	33,004	133,303
Other assets	16,844	68,033
Total financial assets	946,015	3,820,954
Financial liabilities		
Accounts payable	83,861	338,714
Due to related parties	45,861	185,233
Total financial liabilities	129,722	523,947
Net financial assets	816,293	3,297,007

14.1 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 2.3.7.1.

(d) Loans and advances

Loans and advances are summarized as follows:

	<i>2011</i>	
	<i>US\$</i>	<i>KHR'000 equivalent</i>
		<i>(Note 2.3.1)</i>
Loans and advances neither past due nor impaired (i)	33,004	133,303
Loans and advances past due but not impaired (ii)	-	-
Loans and advances individually impaired (ii)	-	-
Total loans and advances, gross	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 and advances neither past due or impaired

Loans and advances not past due are not considered impaired, unless other information is available to indicate the contrary.

(ii) Loans and advances past due but not impaired

Loans and advances 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.

14.2 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 2011, 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.

14.3 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 14 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.

14.4 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.

15. LIQUIDITY RISK

	<i>Up to 1 month US\$</i>	<i>>1 to 3 months US\$</i>	<i>>3 to 12 months US\$</i>	<i>>1 to 5 years US\$</i>	<i>Over 5 years US\$</i>	<i>No fixed maturity date US\$</i>	<i>Total US\$</i>
As at 31 December 2011							
Financial assets							
Cash on hand	481	-	-	-	-	-	481
Balances with 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	-	-	16,759	-	-	16,844
Total financial assets	846,660	5,185	21,639	22,531	-	50,000	946,015
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	22,531	-	50,000	816,293
<i>KHR'000 equivalent (Note 2.3.1)</i>	3,234,427	(317,772)	87,400	91,002	-	201,950	3,297,007

16. 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 2011 that had significant impact on the financial position of the Company as at 31 December 2011.