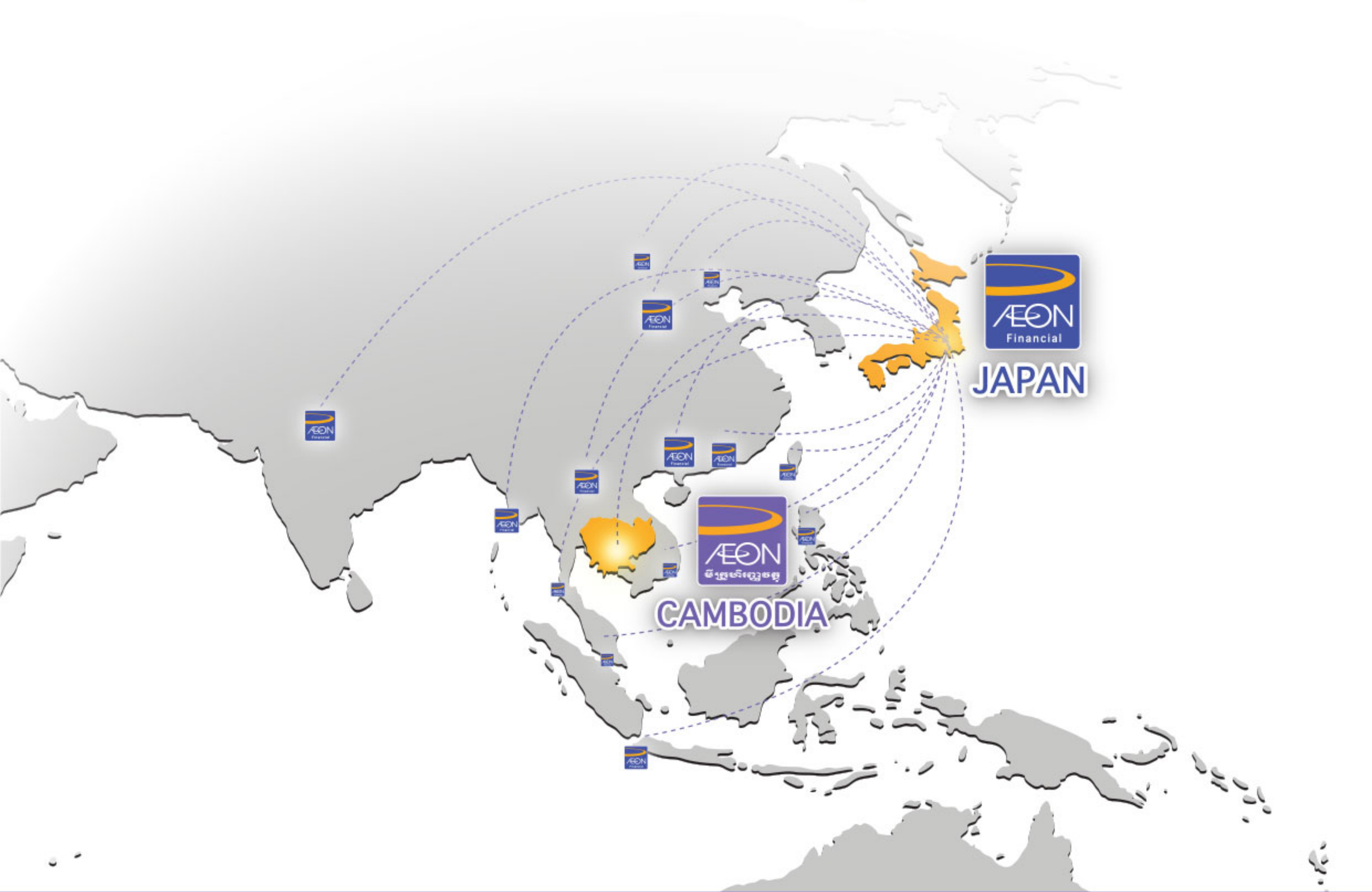




យើងកំពុងផ្តល់សេវាកម្មហិរញ្ញវត្ថុឈានមុខគេ
ដល់អតិថិជនជាង **30** លាននាក់ក្នុងតំបន់អាស៊ី



2013

ANNUAL REPORT

Fiscal Year Ended December 31, 2013



ភីអិលអិលអិល ម៉ាយក្រូហ្វាយណង់ស៊ី (ខេមបូឌា)
AEON MICROFINANCE (CAMBODIA) CO., LTD.

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

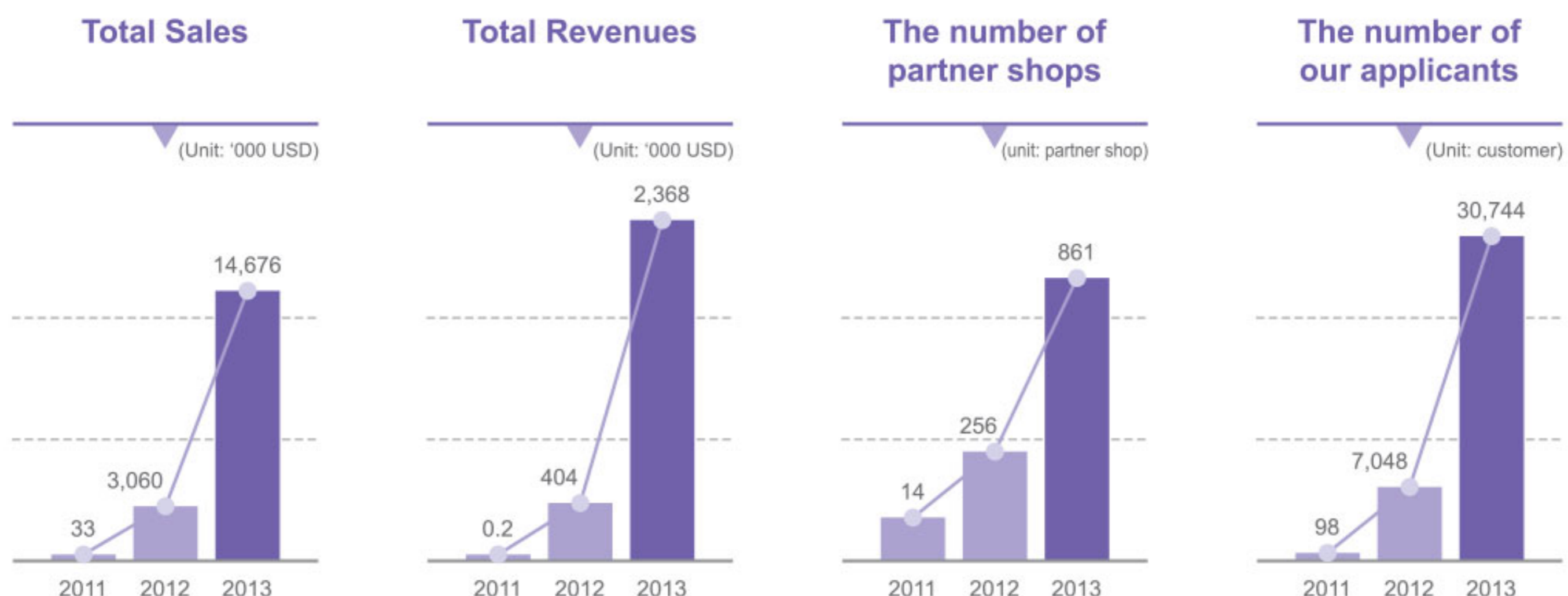
OUR BACKGROUND

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.

FISCAL YEAR	2012	2013
Customer Base		
Agreement Base Customer	4,264	18,484
Network		
Corporate Merchant	251	861

FISCAL YEAR	2012	2013
Financial Status		
Total assets	2,726,384	14,060,179
Accounts receivable	2,187,687	10,913,456
Total shareholders' equity	431,883	3,985,019
Capital	1,000,000	4,000,000





MESSAGE FROM MANAGEMENT

Thanks to our strong customer demand for leading installment loan business which had been steadily penetrated into the retail market in Cambodia, in addition to the success of new challenges such as an agriculture product and a second-hand motor business, we saw a high sales performance of an increase by approximately 4.8 times compared to the previous year. It also has been supported by Cambodia's strong Economy in 2013, accounting for 7.4% growth which was even higher than the previous year (7.3%).

The dramatic growth of the number of dealers who provide Hire-Purchase products directly to our customers in accordance with the expansion of our branches (Siem Reap Province and Chamkarmon District in Phnom Penh) and employees (from 74 to 190 as of December 2013) can be taken as part of the key frames on the sales increase. Moreover, while we have already started

pursuing to the effectiveness of the operational control system and the construction of the sound risk management system, our in-house trainings for all the staff including new staff in terms of not only financial literacy but a high level of compliance awareness and professional ethics will be strengthen at the same time this year.

We are experiencing a further reap by means of a new product of personal loan and the expansion of the branches to major provincial area. Our innovative challenges with new products and a continuous improvement process will go on for the promising Cambodian market.

Mr. Daisuke Maeda
Vice-Chairman of the Board and Managing Director

BOARD OF DIRECTORS



MR. YASUHIKO KONDO

POSITION Chairman of the Board

BORN (year) 1960

EDUCATION Bachelor of Art in Psychology, Chukyo University, Japan

WORKING EXPERIENCE FOR THE LAST 5 YEARS

- 2013 – Present | Chairman of the Board AEON Microfinance (Cambodia) Co., Ltd
- 2013 – Present | Director, AEON (Thailand) Co., Ltd / Retail
- 2013 – Present | Chairman of the Board AEON Leasing Service(Laos)
- 2012 – Present | Chairman of the Board AEON Microfinance (Myanmar) Company Limited / Microfinance
- 2012 – Present | Chairman AEON Thailand Foundation / Foundation
- 2011 – Present | Director ACS Servicing (Thailand) Co., Ltd.
- 2011 – Present | Director ACS Life Insurance Broker (Thailand) Co., Ltd. / Life Insurance Broker
- 2011 – Present | Director, ACS Life Insurance Broker (Thailand) Co., Ltd
- 2011 – Present | Director, ACS Insurance Broker (Thailand) Co., Ltd. / Insurance Broker
- 2011 – Present | Chairman of the Board ACS Capital Corporation Ltd. / Leasing
- 2011 – Present | Vice Chairman of the Board and Director of AEON Thana Sinsap (Thailand) Plc. /Finance
- 2009 – 2011 | Director, Chief General manager of Market Development Division, AEON Credit Service Co., Ltd



MR. DAISUKE MAEDA

POSITION 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



MR. OM SENG BORA

POSITION Independent Director

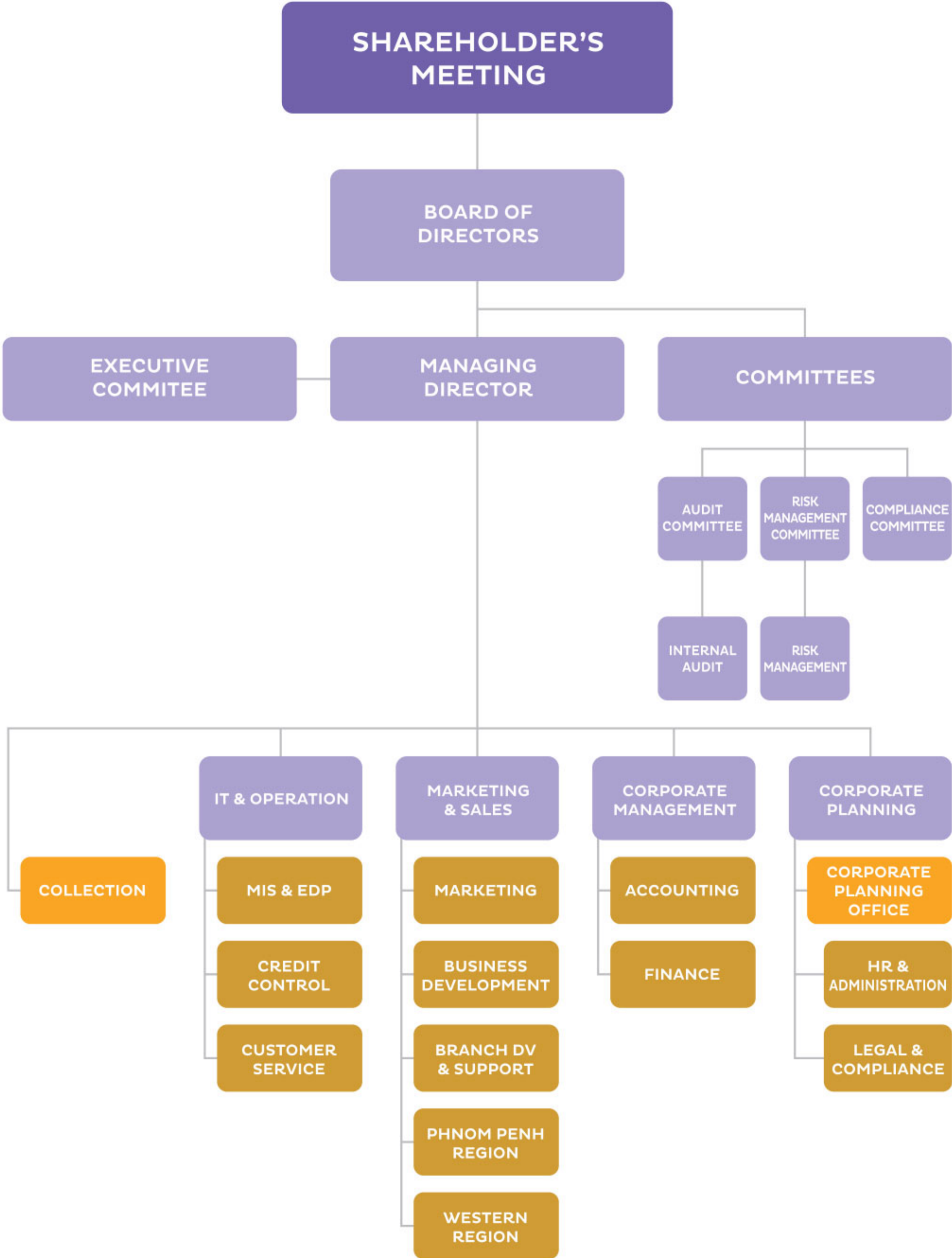
BORN (year) 1977

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

WORKING EXPERIENCE FOR THE LAST 5 YEARS

- 2013 – Present | Independent Board of Director of Phnom Penh Water Supply Authority
- 2013 – Present | Co-founder & Board of Director of Cambodia Investors Club
- 2013 – Present | Board of Director of Start-up Business Network
- 2012 – Present | Member of Cambodia Chamber of Commerce
- 2011 – Present | Independent Board of Director of AEON Microfinance (Cambodia) Co., Ltd
- 2010 – Present | Chairman of Cambodia Microfinance Institute
- 2010 – Present | Chairman of Aplus Consulting and Aplus School for Professionals
- 2004 – 2009 | Executive Director of VisionFund Cambodia

ORGANIZATION CHART





BUSINESS HIGHLIGHTS 2013

HIRE-PURCHASE



In October 2011, the company was established to enter the financial market in Phnom Penh since Cambodia had been experiencing a rapid economic growth. After the first two years of operations, AEON Microfinance (Cambodia) becomes well-known for Cambodian people and a pioneer for Installment service. Hire-purchase for consumer products, an installment service for purchasing electric appliances, was becoming popular in year 2013. It was a growth factor for sales from month to month. During this year, the company put emphasis on expanding partner network to build up the strong business infrastructure in order to be the number one in finance sector.



According to the result in 2013, the number of partner shop for Hire-purchase reached 604, showing an increase by 326%. Partner shops were covering almost all major shops in Phnom Penh, Siem Reap, and Kampong Speu. Our sales report in 2013 shown, Hire-purchase sale was reached 6.89 million USD (308% of Y2012) with the number of incoming application increasing 30,622 application forms (439% of Y2012). Meanwhile, AEON's brand image was established through advertisement on 3 billboards which can be seen in the best locations (Norodom Blvd, Sihanouk Blvd, and Russian Blvd). The other types of advertisement are also shown on 250 tricycle motorcycles (200 units in Phnom Penh and 50 units in Siem Reap), and in merchant shops.

MOTOR BIKE



Based on the successful installment service for new motorcycle product in 2012, we had studied and analyzed in-depth about the consumer financial market and specific payment behaviors of people, motorcycle market analyses, and got confidence to improve our services without down

payment on motorcycle installment service in year 2013. Meanwhile, in order to establish the No.1 share in the market and continue to satisfy customer's demand, the installment service for second hand motorcycle product was launched in April. As a result, second hand motorcycle partners reached 151 merchants and new motorcycle partners recruited 106 merchants in December. Furthermore, Motorcycle sales achieved 7.58 million USD (1 million USD for second motorcycle and 6.58 million USD for new motorcycle) in 2013.

AGRICULTURE



As Cambodia is an agricultural country, the general demand for agriculture machinery is high. Therefore, we start to provide the agriculture installment from Q4 2013 to fulfil the customer demand. In Year 2013, we have recruited agriculture partners, consequently obtained 21 shops,

and famous agricultural dealers selling well-known products. As a result of Year 2013, we can generate sales from agriculture reached 117,895 USD. Furthermore, our brand becomes more popular throughout steady introductions and business promotions by our partners to the public to provide better chance to customers for installment.

BUSINESS EXPANSION



Our Hire-purchase and Motor Bike in Phnom Penh City was very successful. We have expanded our business to other provinces such as Kampong Speu and Siem Reap Province, providing installment services to the customers in order to generate more sales. As Siem Reap is

the province which has a large economic potential after Phnom Penh city, we determined to set up a new branch in this province from June 2013 and consequently our total sales was approximately 1,342,000 USD. Besides Siem Reap Branch, we launched one more branch in Chamkarmon district, Phnom Penh this year in order to provide better services to customers.

BUSINESS PERSPECTIVE 2014



Launching New Product

Our business development section had studied and analyzed possibilities to provide our installment service to the consumer finance market. Then we had launched new products such as second hand motor bike, Generator and Agriculture machinery installment service in 2013. Especially we received a big response about Agriculture installment from customers since it was easy for them to apply for compared to the existing loan services that other financial companies provided because we did not require any of a land deed, a house title and guarantors. As of end of 2013, the number of agriculture dealers was still 21 shops in Phnom Penh and Siem Reap and we are strengthening agriculture installment business to provide a convenient service to the farmers.



Express Card

In September 2013, we started issuing Express Card for our loyalty customers who used to use our services and paid off the monthly billing properly. The benefit for Express Card holders is that we provide the Express card holders with a discount interest rate, speed assessment within 30 minutes and special credit limits for their new applications. By end of 2013, we have issued total 6,000 Express cards and we are going to issue Express card to more customers to keep providing qualified and convenience services continuously.



Open New Branch

In order to expand our business, we launched Siem Reap branch in June 2013. With made an effort to build up relationship with dealer shops and also strengthened to put our PoP, the sales in Siem Reap reached 320,000USD and total number of partners reached 169 partner shops in December. Furthermore, we launched Charkamon branch located in the south area of Phnom Penh in December since a large number of our customers are living in this area according to the our analysis. We assigned Marketing staffs in this branch to develop new partners and take care of the existing partners located in the areas of South Phnom Penh and outskirts of the city. Thus, we are working for the improvement of customer accessibility to our branches by means of increasing the number of branches in Phnom Penh.



PAYMENT CHANNEL

AEON has continuously worked on Payment Channels Development project in order to provide more convenience payment service to customers. We have extended our channels to several major banks such as Maybank, CIMB Bank and ACLEDA Bank. As of December 31, 2013, our payment channel location was increased 4 times with total of 1,350 locations (329 in Phnom Penh and 1,021 in Provinces).



+400%
our payment channel
location was increased
4 times



BUSINESS RISK FACTOR

There are mainly two risk factors in this company.

- 1) The sales and profits in this company may be affected by future new entrants of major enterprises hereafter.
- 2) The growth of the market size of new and second-hand motorcycles in Cambodia might get dull if public transport is developed in urban areas in the future.

RISK MANAGEMENT

Regarding risk management, in 2013 AEON Microfinance steadily built up risk management structures. We also have fully implemented 5 policies (Risk Management, Risk Management Committee, Operational Risk Management, Liquidity Risk Management and System Risk Management) and has been approved by Board of Directors to enhance risk management strategies of the company. On the other hand, risk management section has been established as an independent division which is totally separated from other daily operations, and is able to control risk environment using daily reports from each section.

We conduct Risk Management Committees on a monthly basis of top management of the company and group companies to control, analyze and evaluate managerial resources from the aspect of risk management. In addition to that, the company also holds Internal Risk Management meetings with each section head on a monthly basis to collect risk information which faces from daily operation. AEON Microfinance (Cambodia) believes that the establishment of the strong risk management system leads a fast success of our business which is met demands of the market in Cambodia.

INTERNAL CONTROL

In 2013, legal and compliance section was established in order to control legal and compliance matters in the company.

Firstly, as a report line, we created a whistleblowing system by using the specialized telephone line and an email system to report any matters such as fraudulent accounting, unethical business practices or illegal activities in the company. This is not only for the report line in Cambodia but also for the direct contact to the headquarters in Japan. With this system used more efficiently, the company has prepared scrupulously the policy and regulation of whistle blowing and handles with this system.

Furthermore, "Regulation of Administrative authority" has been made preparation to define the authority of approval. By using this regulation, decision making body finalize our projects more quickly by clear responsible authority.

CORPORATE SOCIAL RESPONSIBILITY

AEON Microfinance(Cambodia) is willing to be supporting corporate social responsibility activities regularly. In 2013, Our Group dug the water wells and rain water tanks in Takeo Province. On the other hand, AEON Microfinance (Cambodia) head office has conducted clean city activities. Clean city project started for contributing to becoming a more livable city. We received appreciation letter from Ministry of Tourism by the clean city activities. In 2014, we plan to continue to clean cities not only Phnom Penh but also in other provinces.

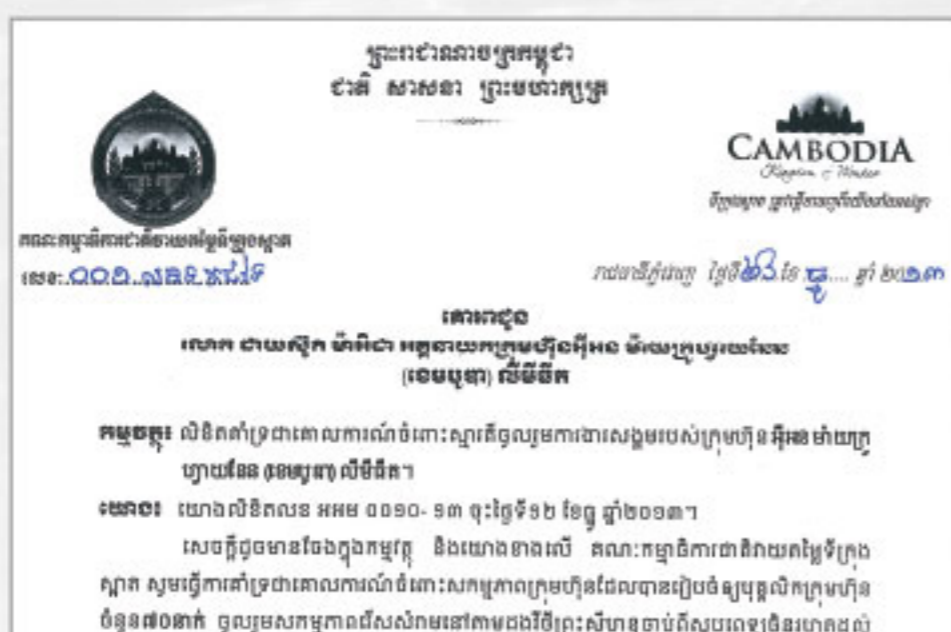
Moreover we are dedicated to the protection of personal information. The company evaluates each level of information and set clear rules of reviewing and also has access the control system at working areas and the individual information disclosures. We aim to develop truly trusting relationships throughout these corporate social responsibility activities.



Pictures on CSR activities in 2013



A letter of appreciation from National Committee for Clean City Assessment



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 2013, 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 auditors consider 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 evaluation 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 2013, 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

24 March 2014

FINANCIAL HIGHLIGHTS

We have audited the accompanying financial statements of AEON Microfinance (Cambodia) Co., Ltd. (“the Company”), which comprise the balance sheet as at 31 December 2013, 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.

BALANCE SHEET

As at 31 December 2013

	Notes	2013		2012	
		US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
ASSETS					
Cash on hand	4	48,376	193,262	40,152	160,407
Balances with the National Bank of Cambodia	3	201,259	804,030	50,105	200,169
Balances with other banks	4	516,634	2,063,953	127,623	509,854
Loans to customers	5	10,833,960	43,281,670	2,180,452	8,710,906
Property and equipment	6	292,083	1,166,872	97,815	390,771
Software	7	375,338	1,499,475	131,892	526,909
Other assets	8	1,792,529	7,161,153	98,345	392,888
TOTAL ASSETS		14,060,179	56,170,415	2,726,384	10,891,904
LIABILITIES AND SHAREHOLDER'S EQUITY					
LIABILITIES					
Accounts payable and accrued expenses	9	267,849	1,070,057	113,672	454,120
Income tax payable	10	13,593	54,304	696	2,781
Due to related parties		13,718	54,803	30,133	120,381
Borrowings	11	9,780,000	39,071,100	2,150,000	8,589,250
Total liabilities		10,075,160	40,250,264	2,294,501	9,166,532
SHAREHOLDER'S EQUITY					
Share capital	12	4,000,000	15,980,000	1,000,000	3,995,000
Accumulated losses		(14,981)	(59,849)	(568,117)	(2,269,628)
Total shareholders' equity		3,985,019	15,920,151	431,883	1,725,372
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		14,060,179	56,170,415	2,726,384	10,891,904

INCOME STATEMENT

For the year ended 31 December 2013

	Notes	2013		2012	
		US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Operating income					
Interest income	13	2,269,449	9,066,449	385,566	1,540,336
Interest expense	11	(51,197)	(204,532)	(6,219)	(24,845)
Net interest income		2,218,252	8,861,917	379,347	1,515,491
Fees, commissions and other income	14	99,022	395,593	18,045	72,090
Total operating income		2,317,274	9,257,510	397,392	1,587,581
Provision for losses on loans to customers	5	(87,841)	(350,925)	(7,235)	(28,904)
Other operating expenses	15	(1,641,905)	(6,559,410)	(853,812)	(3,410,979)
Profit (loss) before income tax		587,528	2,347,175	(463,655)	(1,852,302)
Income tax expense	10	(34,392)	(137,397)	(4,036)	(16,124)
Net profit (loss) for the year		553,136	2,209,778	(467,691)	(1,868,426)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Accumulated		
	Share capital US\$	losses US\$	Total US\$
Balance as at 1 January 2013	1,000,000	(568,117)	431,883
Capital contribution	3,000,000	-	3,000,000
Net profit for the year	-	553,136	553,136
Balance as at 31 December 2013	4,000,000	(14,981)	3,985,019
KHR'000 equivalent (Note 2.3.1)	15,980,000	(59,849)	15,920,151
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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013		2012	
		US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Operating activities					
Profit (loss) before income tax		587,528	2,347,175	(463,655)	(1,852,302)
Adjustments for:					
Depreciation and amortization	15	97,868	390,982	42,124	168,285
Income tax paid	10	(21,495)	(85,874)	(3,342)	(13,351)
Cash generated from (used in) operating activities		663,901	2,652,283	(424,873)	(1,697,368)
Increase in operating assets:					
Balances with the NBC		(150,000)	(599,250)	-	-
Loans to customers		(8,653,508)	(34,570,764)	(2,147,448)	(8,579,055)
Other assets		(1,694,184)	(6,768,265)	(71,837)	(286,989)
Increase (decrease) in operating liabilities:					
Accounts payable and accrued expenses		154,176	615,938	25,458	101,705
Due to related parties		(16,415)	(65,578)	(15,728)	(62,833)
Net cash used in operating activities		(9,696,030)	(38,735,636)	(2,634,428)	(10,524,540)
Investing activities					
Acquisition of property and equipment	6	(251,839)	(1,006,100)	(53,610)	(214,172)
Acquisition of software	7	(283,742)	(1,133,549)	(140,249)	(560,295)
Net cash used in investing activities		(535,581)	(2,139,649)	(193,859)	(774,467)
Financing activities					
Proceeds from borrowings	11	10,290,000	41,108,550	3,780,000	15,101,100
Payment of borrowings	11	(2,660,000)	(10,626,700)	(1,630,000)	(6,511,850)
Capital contribution	12	3,000,000	11,985,000	-	-
Net cash generated from financing activities		10,630,000	42,466,850	2,150,000	8,589,250
Net increase (decrease) in cash and cash equivalents		398,389	1,591,565	(678,287)	(2,709,757)
Cash and cash equivalents at beginning of year		167,880	670,680	846,167	3,417,668
Foreign exchange difference		-	-	-	(37,231)
Cash and cash equivalents at end of the year	4	566,269	2,262,245	167,880	670,680

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 ("parent company"), 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.

The financial statements were authorized for issue by the Board of Directors on 24 March 2014.

Paid-up capital

The paid-up capital of the Company as at 31 December 2013 was US\$4,000,000 or KHR'000 15,980,000 (2012: US\$1,000,000 or KHR'000 4,039,000).

Board of Directors

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

Mr. Yasuhiko Kondo	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 2013, the Company had a total of 190 employees (2012: 74 employees).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared on a 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.

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 year.

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 KHR 3,995 per US\$1 ruling at the reporting date (2012: KHR 3,995: 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 lease

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 90 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.

-
- (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

	2013		2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Current account	1,259	5,030	105	419
Capital guarantee	200,000	799,000	50,000	199,750
	201,259	804,030	50,105	200,169

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 0.12% - 0.18% per annum in 2013 (2012: 0.18% - 0.20% per annum) whereas the current account does not earn interest.

4. BALANCES WITH OTHER BANKS

This pertains to current accounts maintained with local banks which do not earn interest.

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

	2013		2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Cash on hand	48,376	193,262	40,152	160,407
Current account with NBC	1,259	5,030	105	419
Balances with other banks	516,634	2,063,953	127,623	509,854
	566,269	2,262,245	167,880	670,680

5. LOANS TO CUSTOMERS

Loans to customers are categorized as follows:

	2013		2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Loans to customers	10,859,397	43,383,290	2,055,640	8,212,282
Employee loans	54,058	215,963	132,047	527,528
Gross loans to customers	10,913,455	43,599,253	2,187,687	8,739,810
Allowance for losses on loans to customers				
At beginning of year	7,235	28,904	-	-
Provision during year	87,841	350,925	7,235	28,904
Write offs	(15,581)	(62,246)	-	-
Allowance at end of year	79,495	317,583	7,235	28,904
Loans to customers - net	10,833,960	43,281,670	2,180,452	8,710,906

Loans to customers are categorized as follows:

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

	2013		2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Standard loans				
Unsecured	10,777,989	43,058,066	2,167,621	8,659,646
Substandard loans				
Unsecured	118,705	474,226	18,653	74,519
Doubtful loans				
Unsecured	16,117	64,387	132	527
Loss loans				
Unsecured	644	2,574	1,281	5,118
Total gross loans	10,913,455	43,599,253	2,187,687	8,739,810

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:

	2013		2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Residence status:				
Residents	10,913,455	43,599,253	2,187,687	8,739,810
Non-residents	-	-	-	-
	10,913,455	43,599,253	2,187,687	8,739,810
Relationship:				
Related parties	-	-	-	-
Non-related parties	10,913,455	43,599,253	2,187,687	8,739,810
	10,913,455	43,599,253	2,187,687	8,739,810
By currency:				
US\$	10,913,455	43,599,253	2,187,687	8,739,810

6. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture and fixture	Office equipment	IT equipment and computers	Total
	US\$	US\$	US\$	US\$	US\$
Cost					
As at 1 January 2013	13,462	12,801	20,288	83,003	129,554
Additions	124,632	7,745	21,079	98,383	251,839
As at 31 December 2013	138,094	20,546	41,367	181,386	381,393
Accumulated depreciation					
As at 1 January 2013	5,697	2,178	4,483	19,380	31,738
Depreciation	13,410	3,144	9,002	32,016	57,572
As at 31 December 2012	19,107	5,322	13,485	51,396	89,310
Net book value					
As at 31 December 2013	118,987	15,224	27,882	129,990	292,083
As at 31 December 2012	7,765	10,623	15,804	63,623	97,815
KHR'000 equivalent (Note 2.3.1)					
As at 31 December 2013	475,353	60,820	111,390	519,309	1,166,872
As at 31 December 2012	31,021	42,439	63,137	254,174	390,771

7. SOFTWARE

	2013		2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Cost				
As at 1 January	140,249	560,295	-	-
Additions	283,742	1,133,549	140,249	560,295
As at 31 December	423,991	1,693,844	140,249	560,295
Accumulated amortization				
As at 1 January	8,357	33,386	-	-
Amortization	40,296	160,983	8,357	33,386
As at 31 December	48,653	194,369	8,357	33,386
Net book value	375,338	1,499,475	131,892	526,909

8. OTHER ASSETS

	2013		2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Deposits on computer software	1,217,859	4,865,347	-	-
Interest receivable	304,427	1,216,185	69,835	278,991
Prepayments	126,931	507,089	10,827	43,254
Rental and other deposits	49,326	197,057	17,683	70,643
Others	93,986	375,475	-	-
	1,792,529	7,161,153	98,345	392,888

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2013		2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Payable to dealers and suppliers	121,004	483,411	79,157	316,232
Accrued expenses	75,534	301,758	19,716	78,766
Advance payments from customers	51,419	205,419	8,008	31,992
Tax liabilities	18,236	72,853	6,791	27,130
Others	1,656	6,616	-	-
	267,849	1,070,057	113,672	454,120

Tax liabilities include salary tax and other withholding taxes payable.

10. INCOME TAX

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 payable

	2013		2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Balance at beginning of year	696	2,781	2	8
Income tax expense	34,392	137,397	4,036	16,124
Income tax paid	(21,495)	(85,874)	(3,342)	(13,351)
	13,593	54,304	696	2,781

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

	2013		2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Profit (loss) before income tax	587,528	2,347,175	(463,655)	(1,852,302)
Tax loss carried forward	(568,624)	(2,271,654)	-	-
Non-deductible expenses	135,814	542,577	62,411	249,332
Unearned income	43,411	173,427	8,008	31,992
Deductible temporary differences	(26,168)	(104,541)	(69,465)	(277,513)
Taxable profit	171,961	686,984	(462,701)	(1,848,491)
Current income tax, at the statutory rate of 20%	34,392	137,397	-	-
Current income tax, at the statutory rate of 1% of turnover	20,706	82,721	4,036	16,124
Total current income tax	34,392	137,397	4,036	16,124

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. Details are as follows:

Originating year	Can be utilized up to	Tax loss amount	Utilized up to 2013	Forfeited	Unutilized at 31 December 2013
		US\$	US\$	US\$	US\$
2011	2016	128,359	-	-	128,359
2012	2017	440,265	-	-	440,265
2013	2018	-	(568,624)	-	(568,624)
Total		568,624	(568,624)	-	-
KHR'000 equivalent					
(Note 2.3.1)		2,271,653	(2,271,654)	-	-

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 2013, recognized deferred income tax consists of:

	31 December 2013		31 December 2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Deferred tax liability on:				
Property and equipment	(12,881)	(51,460)	(21,222)	(84,782)
Deferred tax asset on:				
Tax losses	-	-	21,222	84,782
Allowance for loan losses	12,429	49,654	-	-
Unearned income	452	1,806	-	-
	-	-	-	-

The Company did not recognize deferred income tax on the remaining temporary difference arising from the following due to uncertainty as to whether sufficient taxable profit will be available against which the deductible temporary differences can be utilized:

	31 December 2013		31 December 2012	
	US\$		US\$	
Unearned income	49,159		8,008	
Unrealized foreign exchange loss	101		-	
Unused tax losses	-		462,514	
Allowance for losses on loans to customers	-		4,050	
	49,260		474,572	
KHR'000 equivalent (Note 2.3.1)	196,794		1,895,915	

11. BORROWINGS

These represent short-term borrowings from overseas banks which will mature in March 2014 (2012: January 2013), with interest at rates ranging from 0.94% to 1.26% per annum (2012: 0.96% to 1.34%). Interest expense during the year amounted to US\$51,197 (2012: US\$6,219).

12. SHARE CAPITAL

These represent short-term borrowings from overseas banks which will mature in March 2014 (2012: January 2013), with interest at rates ranging from 0.94% to 1.26% per annum (2012: 0.96% to 1.34%). Interest expense during the year amounted to US\$51,197 (2012: US\$6,219).

	2013		2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Issued and fully paid	4,000,000	15,980,000	1,000,000	3,995,000

Share capital of the Company consists of 4,000,000 authorized number of shares with par value per share of US\$1.

On 3 April 2013, the Parent Company contributed additional US\$3.00 million capital. This was approved by the NBC on 25 April 2013.

13. INTEREST INCOME

	2013		2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Loans to customers	2,265,297	9,049,862	385,471	1,539,957
Staff loan	3,978	15,892	-	-
Capital guarantee	174	695	95	379
	2,269,449	9,066,449	385,566	1,540,336

14. FEES, COMMISSIONS AND OTHER INCOME

	2013		2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Fee and other income	99,123	395,996	18,020	71,990
Gain (loss) on foreign exchange	(101)	(403)	25	100
	99,022	395,593	18,045	72,090

15. OTHER OPERATING EXPENSES

	2013		2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Personnel	844,234	3,372,715	543,587	2,171,630
Promotion and advertising	167,140	667,724	44,735	178,716
Depreciation and amortization (Notes 6 and 7)	97,868	390,982	42,124	168,285
Stationeries and printing	72,514	289,693	25,616	102,336
Office rental	63,960	255,520	28,160	112,499
Travel	60,758	242,728	39,646	158,386
Vehicle rental and running costs	57,121	228,198	20,948	83,687
Communication	46,799	186,962	20,249	80,895
Taxes and licenses	41,267	164,862	15,502	61,930
Professional fees	32,903	131,447	15,862	63,369
Repairs and maintenance	31,103	124,257	13,638	54,484
Utilities	23,165	92,545	10,867	43,414
Insurance	17,482	69,841	6,013	24,022
Others	85,591	341,936	26,865	107,326
	1,641,905	6,559,410	853,812	3,410,979

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:

	2013		2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Within one year	21,511	85,937	20,800	83,096
From two to three years	63,222	252,572	-	-
	84,733	338,509	20,800	83,096

17. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Balances with related parties

Amounts due to related parties

Related party	Transaction	2013		2012	
		US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
AEON Credit Service Co., Ltd	Payment on behalf	13,718	54,803	30,133	120,381

(ii) Directors and key management personnel compensation

Compensation including other benefits of directors and key management personnel for the period amounted to US\$208,378 or KHR832,471 million (2012: US\$182,702 or KHR729.89 million).

18. 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 a derivative 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:

	2013		2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Financial assets				
Cash on hand	48,376	193,262	40,152	160,407
Balances with NBC	201,259	804,030	50,105	200,169
Balances with other banks	516,634	2,063,953	127,623	509,854
Loans to customers	10,833,960	43,281,670	2,180,452	8,710,906
Other assets	368,358	1,471,589	84,685	338,316
Total financial assets	11,968,587	47,814,504	2,483,017	9,919,652
	2013		2012	
	US\$	KHR'000 equivalent (Note 2.3.1)	US\$	KHR'000 equivalent (Note 2.3.1)
Financial liabilities				
Accounts payable and accrued expenses	196,538	785,169	96,873	387,008
Due to related parties	13,718	54,803	30,133	120,381
Borrowings	9,780,000	39,071,100	2,150,000	8,589,250
Total financial liabilities	9,990,256	39,911,072	2,277,006	9,096,639

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:

	2013		2012	
	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)	10,646,014	42,530,826	2,156,289	8,614,375
Loans to customers past due but not impaired (ii)	131,974	527,236	11,332	45,271
Loans to customers individually impaired (iii)	135,467	541,191	20,066	80,164
Loans to customers, gross	10,913,455	43,599,253	2,187,687	8,739,810

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 or 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 balance sheet, 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 such changes and may reduce losses in the event that unexpected favorable 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, 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. Balances with the NBC, balances with other banks have fixed interest rates for the respective period of the deposits; placements and loans to customers have fixed interest rates 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.

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.

Note 19 presents 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, management assumes that loans to customers are mainly held to maturity with their fair value equal to their book value adjusted for provision for loan losses, if any.

19. LIQUIDITY RISK

	Up to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Over 5 years	No fixed maturity date	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 December 2013							
Financial assets							
Cash on hand	48,376	-	-	-	-	-	48,376
Balances with the NBC	1,259	-	-	-	-	200,000	201,259
Balances with other banks	516,634	-	-	-	-	-	516,634
Loans to customers	29,263	135,713	3,592,466	7,156,013	-	-	10,913,455
Other assets	368,358	-	29,805	-	-	-	398,163
Total financial assets	963,890	135,713	3,622,271	7,156,013	-	200,000	12,077,887
Financial liabilities							
Accounts payable and accrued expenses	196,538	-	-	-	-	-	196,538
Due to related parties	-	13,718	-	-	-	-	13,718
Borrowings	-	-	9,780,000	-	-	-	9,780,000
Total financial liabilities	196,538	13,718	9,780,000	-	-	-	9,990,256
Net liquidity surplus (gap) - US\$	767,352	121,995	(6,157,729)	7,156,013	-	200,000	2,087,631
KHR'000 equivalent (Note 2.3.1)	3,065,571	487,369	(24,600,127)	28,588,273	-	799,000	8,340,086

	Up to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Over 5 years	No fixed maturity date	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 December 2012							
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

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 2013 that had significant impact on the financial position of the Company as at 31 December 2013.

