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# ANNUAL REPORT 2013

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04. CHAIRPERSON'S MESSAGE

---

06. CEO'S MESSAGE

---

08. MILESTONES

---

10. FINANCIAL HIGHLIGHTS

---

12. OPERATION UPDATES

---

14. INVESTORS' AND LENDERS' PROFILES

---

---

18. CORPORATE PROFILE

---

30. SOCIAL IMPACT

---

34. REPORT OF THE BOARD OF DIRECTORS

---

38. 2013 AUDIT REPORT

---

## TABLE OF CONTENTS

# CHAIRPERSON'S MESSAGE

EMERGING FROM THE DIFFICULT GLOBAL FINANCIAL CRISIS TIME IN 2008 AND 2009, FIRST FINANCE MANAGED TO LAUNCH AND ACHIEVE SUSTAINABILITY AS A SPECIALIZED MFI FOCUSING ON MICRO HOUSING FINANCE, A NICHE MARKET IN THE CAMBODIAN FINANCIAL INDUSTRY.



**TALMAGE MARK PAYNE**  
Chairperson



We took pride in becoming a recipient of the prestigious ASEAN Business Award in 2012 in the category of growth. Moving into 2013, the growth steadily continued with stronger corporate governance, more diversified funding, well-defined strategy, and higher profitability.

In 2013, First Finance engaged consortium of professional consultants to help with its long-term growth strategy, branding, and market research. This was to help ensure its long-term sustainable growth with the right social and commercial goals put in place.

As a specialized MFI, access to capital is challenging as our business model is not typical of MFI's requiring longer term low cost capital. However, we have seen changes in recent years especially in 2013 as more and more international investors/lenders have

become more comfortable and acceptable to FF's business model and risk management. In 2013, we have received additional funding from European-based lenders/investors and continued conversations with other potential international lenders. The trend will continue. I am very optimistic that more funding will be available for FF.

I have confidence that FF will continue to expand and grow exponentially as our management and non-management staff has grown in experience and skills over time, risk management/corporate governance is enhanced on on-going basis, more trust and support was gained from international lenders, clients and local community, and lastly the local market demand for low cost housing is on the rise.

## CEO'S MESSAGE

FURTHER TO RECEIVING THE PRESTIGIOUS ASEAN BUSINESS AWARD IN 2012 FOR THE CATEGORY OF GROWTH, FIRST FINANCE CONTINUES TO GROW STEADILY AND SURELY IN THE RIGHT STRATEGIC DIRECTION. AT THE END OF 2013, FIRST FINANCE WAS RANKED 11TH AMONG 34 MFIS IN CAMBODIA BY LOAN PORTFOLIO DESPITE ITS SHORT BUSINESS JOURNEY BEGAN IN LATE 2009.



**LIM HAK KHOUN**  
(KEVIN)  
CEO

Despite the challenges and increasing competition, we experienced yet another strong year of sustainable growth in 2013 with higher financial profit and greater social achievement.

Compared to 2012, our loan portfolio and number of customers grew by 56% and 60% respectively. 2013 saw a significant increase in net profit from last year, partly contributed by the two provincial branches opened in 2012. We have plan to open one more provincial branch in 2014 and yet another one in 2015. Our strategy is to use the existing provincial branches as regional bases to expand its scope of operation and thereby save the costs of multiple branch and sub-branch set up and operations within the provinces. The provincial branches enabled us to extend and expand our service cover beyond the urban poors originally targeted and reached out to more diversified self-employed Cambodians in the provincial and surrounding district areas. Reaching out to the low income Cambodian households and first time home ownership remain our strong social objectives. We have embedded the client protection principles into our credit policy to be implemented by credit consultants through their credit assessment process. Thus far, First Finance has positively impacted over 4,000 Cambodian lives through its housing finance product offering.

As part of our contribution to social development, we have participated in radio financial literacy educational programs, CEO forums, and workshops/conferences. We have this year started to issue our quarterly

newsletter offering free of charges to existing clients. The newsletter provides information about First Finance, its clients, community-based activities, and financial education.

We have established partnership with Wing to provide our clients with ample convenience and safety in making their monthly installment payments to First Finance. This mobile platform allows them to make mobile payments through their hand phone and Wing's merchants nearest to them. We have also fully implemented the Credit Bureau, introduced by the National Bank of Cambodia in 2012, the useful tool that helps minimize the possibilities of multiple borrowings and clients' over-indebtedness.

The increasing confidence from the existing shareholders and new investors in First Finance's management resulted in more long-term debt and equity investments in First Finance in 2013. The additional funding enabled First Finance to continue its growth beyond 2013. We have also secured further funding from additional sources for 2014, deemed to be another year of more aggressive and sustainable growth.

On behalf of the management team, I would like to take this opportunity to thank the shareholders, board of directors, and investors for their increasing trust and financial support, the staff for their hard work and commitment, the clients and business partners for their on-going support. Finally, I like to extend my special thanks to the National Bank of Cambodia for their useful guidance and continuing support.

# MILESTONE AT GLANCE

## STRATEGY REVIEW & ADDITIONAL INVESTORS

- Engagement of professional consultants for review of growth and branding strategies
- Additional investors: Norwegian Investment Fund for Developing Countries and Finnish Fund for Industrial Cooperation Ltd



2013

## ADDITIONAL INVESTMENT & SUSTAINABILITY

- Debt investment by Hwang DBS Bank, Oikocredit, and CLDF
- FF's Capital increased by USD 1,989,370 through loan conversion
- Expansion of Head office and operation areas (Phnom Penh & Kandal)
- Strategic Plan for provincial branch network expansion
- Strong corporate governance and risk management: Risk and Audit committees formed and internal auditor hired.

2011



## EXPANSION AND RECOGNITION 2012

- Provincial expansion – Siem Reap and Battambang branch
- Recipient of ASEAN Business Award 2012
- Potential investment by Norfund and Finnfund



2012

## NATIONAL BANK REQUESTS FINANCIAL SPECIFIC SPIN-OFF

The financial lending concept was verified by the market, and the National Bank requested First Home Plc to launch a subsidiary company for Housing finance operations



2007

## FORMATION & PROOF OF CONCEPT

First Home Plc incorporated as a 1-stop housing solutions company with a mission of increasing first time home ownership



2006

2008

## ADDITIONAL EQUITY & MICROFINANCE LICENSING

- Phillip Capital, Singapore's leading financial house, provided First Home Plc with equity capital
- First Finance started registration process as MFI with the National Bank of Cambodia



2010



## BREAK-EVEN & PROFITABILITY

- Monthly break-even/profit and total break-even achieved in May and December respectively
- KPMG appointed as external auditor

2009

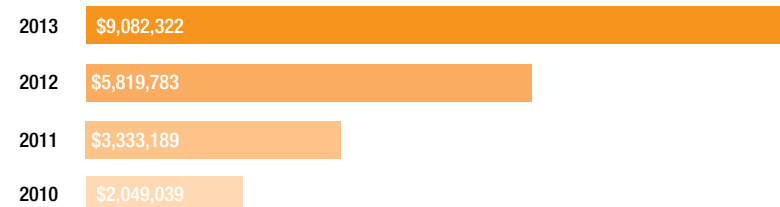


## PROFESSIONALIZATION & MICROFINANCE LICENSING

- Operating license granted by the National Bank of Cambodia
- New CEO hired and the company is professionalized
- First Home, Insitor Fund, and Phillip Capital provided First Finance with equity capital and business activities commenced in late November

# FINANCIAL HIGHLIGHTS

## LOANS PORTFOLIO



## ASSETS



## EQUITY



## NET PROFIT AFTER TAX



## RETURN ON EQUITY



## RETURN ON ASSETS



## OPERATING COST RATIO



# OPERATIONS UPDATE

DESPITE THE CHALLENGES AND INCREASING COMPETITION, WE EXPERIENCED YET ANOTHER STRONG YEAR OF SUSTAINABLE GROWTH IN 2013 WITH HIGHER FINANCIAL PROFIT AND GREATER SOCIAL ACHIEVEMENT.

## PRODUCTS AND SERVICES

### HOME LOAN: FOR PURCHASE OF A NEW HOME

- Competitive interest rate
- Fixed monthly payments for the term of the loan
- Loan term up to 15 years
- Property title taken as collateral (both hard and soft title)

### HOME IMPROVEMENT LOAN: FOR CONSTRUCTION, RENOVATION, OR EXPANSION

- Competitive interest rate
- Fixed monthly payments for the term of the loan
- Loan term up to 10 years
- Property title taken as collateral (both hard and soft title)

### HOME EQUIPMENT LOAN:

- Designed specifically for purchase of household equipment in conjunction with other housing loan products (i.e Home Loan and Home Improvement Loan)
- Competitive interest rate
- Loan term up to 5 years
- Common collateral with home loan or home improvement loan products

## REPAYMENT VIA WING

You can now make your monthly repayment to First Finance via WING for FREE OF CHARGE.

You can go to any WING merchants nearest to you to make the payment.

Below are instructions for the payment via WING:

1. Find WING agent/outlet (WING Cash Xpress) whichever the closest
2. Inform to the teller (WING Cash Xpress) for the payment to First Finance Plc
3. Provide your customer ID (The six digit numbers provided by First Finance) and repayment amount to the teller (WING Cash Xpress)

You will receive on electronic receipt confirming your transaction being made. For more details information, please contact First Finance at 023 997 937.

# INVESTORS AND LENDERS' PROFILE

THE PARTNERSHIP HELPS US REACH OUT TO  
LOW-INCOME CAMBODIANS THAT WOULD  
BE UNREACHABLE OTHERWISE



POEMS PTE LTD IS AN INVESTMENT HOLDING  
COMPANY OF THE PHILLIPCAPITAL GROUP.

Poems Pte Ltd is an investment holding company of the  
PhillipCapital Group

Established in Singapore in 1975, PhillipCapital is now an  
integrated Asian financial house offering a full range of  
quality and innovative financial services to retail, corporate  
and institutional customers. Its comprehensive financial  
services include Fund Management, Private Equity/  
Venture Capital, Debt/Structured Financing, Corporate  
and Institutional Sales, Wealth Management Platform  
services, Corporate Advisory and Financing, Information  
Technology solutions, unit trusts, hedge funds, insurance  
planning, investment research and broking in bonds,  
securities, futures, foreign exchange, precious metals and  
commodities, and Real-Estate. Currently, PhillipCapital  
has more than 2800 staff in Asia and Europe and total  
shareholders' funds in excess of US\$700 million. It  
operates in the financial hubs of 10 countries, with offices  
in Singapore, United Kingdom, France, China, Hong  
Kong, Thailand, Japan, Australia, Malaysia and Indonesia.



Insitor Fund SCA is a social venture capital fund that  
provides equity and equity-like funds to talented social  
entrepreneurs proposing market solutions to critical  
development issues and promoting a responsible and  
sustainable economy. Insitor focuses on enterprises  
that offer credible and scalable solutions to increase the  
accessibility to basic products and services for the lowest  
income people; target sectors include, but are not limited  
to: Housing, Water, Education and Health. Insitor invests  
with the rigor and discipline of for-profit venture capital  
funds, with the expectation of maximizing social impact,  
while providing patient and responsible financial returns.



FIRST HOME PLC

First Home Plc was incorporated in 2006 as a one-  
stop housing solution company with a social mission of  
increasing first time home ownership. It was started by



## >> INVESTORS AND LENDERS' PROFILE

professional and socially-minded individuals who wish to help low-middle income Cambodian households to access to their first time home ownership. The concept of Home Loan and Home Improvement loan products was then initiated and successfully tested. The success experience has led to formation of First Finance Plc. As a result of efforts and commitment of First Home's Board of Directors, First Finance Plc was granted its operating license on 23rd April 2009 by the National Bank of Cambodia. First Home has deep local market knowledge. It understands the local market needs and trend, regulatory requirements, social needs and expectations; and has strong local networking and connections.



The Cambodia-Laos Development Fund S.C.A., SICAV-SIF is a Luxembourg-registered specialised investment fund that seeks to provide competitive financial returns to its investors through investments in innovative, transparent businesses in Cambodia and Laos. By providing investment capital to this critical, yet under-financed segment of each country's economy, the Fund also aspires to have a positive impact on the development of the private sector in the region.



Norfund – the Norwegian Investment Fund for Developing Countries –

Norfund is owned by the invests in the establishment and development of profitable and sustainable enterprises in developing countries. The aim is to contribute to economic growth and poverty reduction. Norwegian Government and serves as a key instrument in Norwegian development policy. The Storting (Norwegian parliament) allocates annual capital grants to Norfund in its development assistance budget.

Norfund always invests with partners, Norwegian or foreign, focusing on renewable energy, agribusiness and financial institutions. The main areas of investment are in Eastern and Southern Africa with regional offices located in Johannesburg, Nairobi and Maputo. Additionally, Norfund invest in selected countries in South and Southeast Asia and Central America with regional offices in San José and Bangkok. At mid-year 2012, Norfund had a portfolio of about USD 1.3 billion and around 50 employees.



Finnfund is a Finnish development finance company that provides long-term risk capital for private projects in developing countries and Russia. By sharing risks with the sponsors, Finnfund seeks to promote investments that are not only profitable but also environmentally and socially sound.

Finnfund invests mainly with Finnish companies but can also finance their local partners, such as long-term customers, suppliers, subcontractors and companies that license technology. In addition, Finnfund can co-invest with other development finance institutions in projects that do not directly involve Finnish business but that generate significant environmental or social benefits. Renewable energy, forestry and telecommunications are among the industries where Finnfund is eager to co-finance projects with other development financiers.



Oikocredit is an international development financing institution which provides loans or investment capital to MFIs, cooperatives, fair trade organizations and other types of social enterprises in developing countries. Today, Oikocredit is one of the world's largest sources of private funding to the microfinance sector. Oikocredit is present in almost 70 countries with almost 900 partners organizations. The partners in Cambodia include 11 MFIs and 3 social enterprises.

Oikocredit's mission is to promote global justice by challenging people, churches and other groups to share their resources through socially responsible investments and by empowering disadvantaged people with credit. Partner MFIs offer loans to the poor, who have limited or no access to conventional banks and other commercial financial sources. Fair trade organizations and social enterprises create livelihood and other economic opportunities in the areas where they operate.

# CORPORATE PROFILE

FIRST FINANCE IS A SPECIALIZED  
MFI FOCUSING ON MICRO HOUSING  
FINANCE FOR THE POORS.



## OUR VISION

We believe that everyone deserves a chance to live a decent life. At the centre of that life there should be a safe and happy home. Our long-term vision is to help families from every socioeconomic status in Cambodia to live in dignity, security, happiness, and stability through home ownership.

## OUR MISSION

Our mission is to build the economic stability of low-income Cambodian families by increasing access to home ownership.

## CORPORATE PHILOSOPHY

Our corporate philosophy is very simple, “**We think like a customer, and act like an owner**”, and our approaches are even simpler:

- Market driven products and services
- Simplified procedures and quick processing
- Flexibility and transparency in operations
- Integrity and ethics in all business practices

# PROFILE OF BOARD OF DIRECTORS



**TALMAGE MARK PAYNE,**  
CHAIRPERSON

- CEO, Hagar International
- Founder of First Home PLC
- Chairperson of VisionFund Cambodia
- National Director of World Vision Cambodia
- 15 years experience in Cambodia, primarily in social sector



**MICAELA RATINI,**  
DIRECTOR

- Founder of Italy's first international social venture capital fund
- 7 years consulting experience as Senior Manager with Bain & Co., focused on bank M&A
- Senior professional with more than ten years of experience in the financial industry
- Wide experience in developing countries



**NICHOLAS JOHN LAZOS,**  
DIRECTOR

- Investment Manager at Insitor Fund SCA
- Prior experience in MFI Consulting including managing the startup of First Home Plc



**ONG TEONG HOON,**  
DIRECTOR

- Senior Executive of one of Asia's leading financial house, Phillip Capital
- Over 25 years of banking experience with Standard Chartered Bank
- Founding Chairperson for Hagar Design Pte. Ltd.
- Director of Prison Fellowship Singapore
- Vice-president in the Boys Brigade in Singapore



**MICHAEL GOH,**  
INDEPENDENT DIRECTOR

- Over 20 years of corporate career in banking and insurance
- Chief Risk Officer, Asia Pacific Region, of global financial group
- Chief Credit Officer/ Senior Regional Head, Credit and Risk Management, of European and Asian Banks
- Own and manage private equity investments, financial management consultancy and training businesses
- Board member of Risk Management Association
- Risk Advisor to Board Committees of other MFI



**DARY SO,**  
INDEPENDENT DIRECTOR

- Tax Partner at Premier Consulting (RSM International Correspondent Firm)
- Extensive experience as a business advisor in Cambodia, advising a range of multinational and SME business on Cambodian market entry and the ongoing challenges of managing tax risk and corporate compliance in Cambodia

# KEY MANAGEMENT PROFILE



**LIM HAK KHOUN (KEVIN),**  
CHIEF EXECUTIVE OFFICER

- Cambodian-born Chinese Canadian educated in Cambodia and Canada
- Graduated with Business Degree from York University, Toronto, Canada
- Linguistic skills: Khmer, English, French, Chinese (Mandarin, Cantonese, and Teochew dialects), Vietnamese, and basic Thai.
- Over 16 years of professional experiences including 11 years in Banking with well-established local and international banks:
- Regional Manager of ANZ Royal Bank
- Head of Sales of Maruhan Japan Bank
- Head of Credit of Vattanac Bank
- Corporate Banking Manager of Standard Chartered Bank
- Underwriting Manager of Forte Insurance
- Lecturer and Administrator of Regent College
- Project Coordinator of Canadian Cambodian Association of Ontario



**SOTHERANY CHUN,**  
CHIEF FINANCE OFFICER

- Master Degree in Micro finance Management
- Over 8 years of management experience
- Operation Manager of Wing Cambodia
- Business Development Manager of Vision Fund Cambodia
- Resource Manager and Internal Auditor at World Vision Cambodia



**SAKADA HENG,**  
PHNOM PENH BRANCH  
MANAGER

- Pursuing Master Degree of Risk Management in Insurance, Finance and Banking
- Bachelor Degree in Accounting/Finance
- Bachelor of Art in French Language
- Over 6 years work experiences in MFI
- Former Operation Coordinator of First Home Plc



**CHHOUR SAMBO,**  
SENIOR INTERNAL AUDITOR

- Pursuing ACCA/CPA (Certified Public Accountant) program
- Bachelor degree in Finance and Banking from Pannasastra University
- Audit Supervisor of Lim Heng Group
- Senior Auditor of PricewaterhouseCoopers (PWC)

>> KEY MANAGEMENT PROFILE



**DY RADA,**  
IT MANAGER

- Pursuing Master Degree in Business of Management
- Bachelor Degree in Computer Science and Engineering
- Diplomatic of University of Technology in Information and Communication
- Over 8 years of Experience in IT
- Experience with NGO, Micro Finance Institutions and Non-Financial Institutions including Cambodian International NGO School, JICA Study Team, Thanakea Phum and Cam Capital



**PHUON SETHA,**  
SIEM REAP BRANCH MANAGER

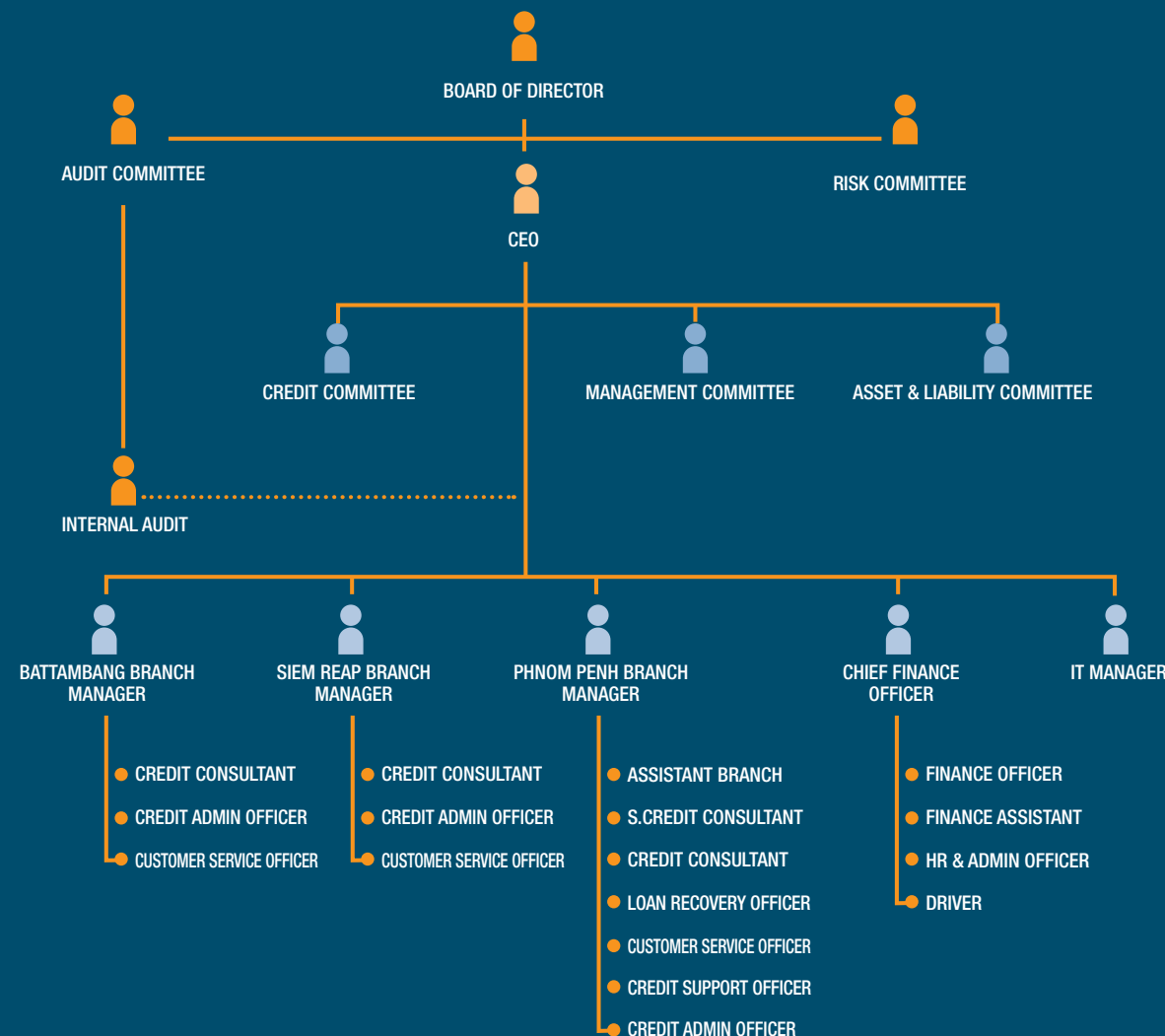
- Certificate of Pedagogy in MATHEMATHIC-PHYSIC (Regional Teacher Trainee Center, Battambang)
- Bachelor Degree of General Management
- Pursuing Master Degree in Account/Finance
- Over 8 years work experience and over 6 years in Microfinance
- Over 4 years of management experience
- Former Provincial Branch Manager of VisionFund Cambodia`



**SOTH KIMRA**  
BATTAMBANG BRANCH MANAGER

- Bachelor Degree in Business Administration
- Over 6years of combined experience Credit/Deposit , NGO
- Experience with NGO, CARE international Organization and Canadia Bank Plc

# ORGANIZATIONAL CHART





1



2



3



4

1 Board meeting.      2 CEO forum at Vanda Institute.      3 Letter of appreciation awarded by Vanda Institute.  
 4 Soccer tournament organized by Pour un Sourire d'Enfant (PSE)

# BOARD COMMITTEES

## AUDIT COMMITTEE

The Audit and Compliance Committee (ACC) was formed to assist the board in discharge its corporate governance responsibilities to exercise due care, diligence in:

- Reporting financial information to users of financial reports
- Applying accounting policies
- Maintaining the independence of the company's auditors
- Financial management
- Internal control systems
- Risk management
- Overseeing serious allegations of fraud
- Complying with applicable laws and regulations.

The Audit Committee consists of 3 members:

1. **DARY SO, CHAIRPERSON**
2. **TALMAGE PAYNE, MEMBER**
3. **ONG TEONG HOON, MEMBER**

## RISK COMMITTEE

The Board Risk Committee (BRC) was formed to assist the board in discharge its corporate governance responsibilities to exercise due care, diligence in:

- Long term capital management and forecasting
- Interest rate policies
- Operational and country risks (non-financial risks)
- Establishing risk principles and procedures for the management
- Credit Policies
- Asset – Liability Policies
- Risk Management Policy

The Risk Committee consists of three members:

1. **MICHAEL GOH, CHAIRPERSON**
2. **NICHOLAS LAZOS, MEMBER**
3. **MICAELA RATINI, MEMBER**

23%

BELOW \$6 PER DAY

43%

BETWEEN \$6 AND \$12 PER  
DAY

34%

MORE THAN \$12 PER DAY

## SOCIAL IMPACT

THROUGH ITS HOUSING FINANCE PRODUCTS, FIRST FINANCE HAS SOCIALLY AND ECONOMICALLY IMPACTED OVER 4,000 LOW-INCOME CAMBODIAN LIVES WHOSE INCOME LEVELS WERE BROKEN DOWN INTO 3 CATEGORIES: <\$6/DAY, \$6/DAY TO \$12/DAY, AND >\$12/DAY.





# OUR COMFORTABLE HOME



1



2



3

## MR. SO CHEA AND FAMILY

Mr. So Chea is a Tuk Tuk's driver earning an average income around 40,000 Riel per day. He has 3 dependent children. The oldest daughter is working in a hotel getting a monthly salary of \$60 and his wife is a fortune teller.

Mr. So Chea is a respectful father who deserved love and is a very strong pillar for children and his wife in the family. With strong effort, struggling, and saving with cleared goal from his wife, Moreover he was living on a slum which is unsafe for his family and the authority has informed people living in the area to move out. He has an idea to save money by buying a plot of land and paid monthly installment that fit with his family income and expenses.

When he firstly knows First Finance PLC, he was very happy to get the loan because First Finance provides long term payback period that fit him well. He took the loan from First Finance PLC to build a home on his plot of land. Moreover, he added I cannot believe that I could build a house for my family such that fast. In addition, my children are very happy when they have their own home which is more comfortable than the old house that even toilet and bathroom does not have. They are not embarrassing with their friends any more.

- 1 So Chea and his family are happy in front of his concrete house.
- 2 So Chea's old wooden house.
- 3 So Chea's and family are sitting inside his house.

# REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of First Finance Plc (“the Company” or “First Finance”) is pleased to present its report and the audited financial statements of the Company for the year ended 31 December 2013.

## PRINCIPAL ACTIVITY

The principal activity of First Finance is to provide micro-finance services to first time home owner for middle and low income families through its head office based in Phnom Penh and its branches in provinces in the Kingdom of Cambodia.

## FINANCIAL PERFORMANCE

The financial performance for the year ended 31 December 2013 is set out in the income statement on page 6 of the financial statements.

## SHARE CAPITAL

During the year, there was no change in the registered and paid-up capital of the Company.

## BAD AND DOUBTFUL LOANS

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

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

## ASSETS

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

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

## CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- i. no charge on the assets of the Company which has arisen since the end of the year which secures the liabilities of any other person; and
- ii. no contingent liability in respect of the Company that has arisen since the end of the year other than in the ordinary course of its business operations.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable after the end of the year which, in the opinion of the Board of Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they become due.

## CHANGE OF CIRCUMSTANCES

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

## ITEMS OF AN UNUSUAL NATURE

The Company's financial performance for the year ended 31 December 2013 was not, in the opinion of the Board of Directors, materially affected by any items, transactions or events of a material and unusual nature.

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

## SIGNIFICANT EVENTS

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

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

**Mr. Talmage Mark Payne**

Chairperson

**Ms. Micaela Ratini**

Director

**Mr. Ong Teong Hoon**

Director

**Mr. Nicholas Lazos**

Director

**Mr. Michael Goh**

Director

**Ms. Dary So**

Director

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible to ensure that the financial statements are properly drawn up, so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- i. adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;

- ii. comply with the disclosure requirements of Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia or, if there have been any departures in the interest of true and fair presentation, ensure they have been appropriately disclosed, explained and quantified in the financial statements;
- iii. maintain adequate accounting records and an effective system of internal controls;
- iv. prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- v. set overall policies for the Company, ratify all decisions and actions by the Board of Directors 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 Board of Directors confirms that the Company has complied with these requirements in preparing the financial statements.

## APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and its cash flows for the year ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia were approved by the Board of Directors.

On behalf of the Board of Directors,

 <b>Talmage Mark Payne</b> Chairman		 <b>Lim HakKhoun</b> Chief Executive Officer
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Phnom Penh, Kingdom of Cambodia  
Date: 25 March 2014

Phnom Penh, Kingdom of Cambodia  
Date: 25 March 2014

# REPORT OF THE INDEPENDENT AUDITORS

*(Extracted from the Financial Statements for the year ended 31 December 2013 and Report of Independent Auditors)*

## TO THE SHAREHOLDERS OF FIRST FINANCE PLC

We have audited the accompanying financial statements of First Finance Plc (“the Company”) which comprise of the balance sheet as at 31 December 2013 and the income statement, the statement of changes in shareholders’ equity and the cash flow statement for the year ended 31 December 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

## 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 guidelines of 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.

## AUDITOR’S 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 auditor’s 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 entity’s preparation and fair presentation of the financial statements 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 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 accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia.

For PricewaterhouseCoopers (Cambodia) Ltd.




By Kuy Lim  
Partner

Phnom Penh, Kingdom of Cambodia

Date: 25 March 2014

## BALANCE SHEET

AS AT 31 DEC 2013

	2013		2012	
	US\$	KHR '000	US\$	KHR '000
<b>ASSETS</b>				
Cash on hand	2,000	7,990	1,804	7,207
Balances with the Central Bank	116,258	464,451	116,147	464,007
Balances with banks	1,440,400	5,754,398	142,176	567,993
Loans and advances to customer	8,989,958	35,914,882	5,761,585	23,017,532
Other assets	198,346	792,392	119,464	477,258
Property and equipment	81,228	324,506	106,333	424,800
	<u>10,828,190</u>	<u>43,258,619</u>	<u>6,247,509</u>	<u>24,958,797</u>
<b>LIABILITIES</b>				
Other liabilities	408,010	1,630,000	202,739	809,942
Current income tax liabilities	70,185	280,389	25,174	100,570
Borrowings	7,664,648	30,620,269	3,545,925	14,165,970
	<u>8,142,843</u>	<u>32,530,658</u>	<u>3,773,838</u>	<u>15,076,482</u>
<b>EQUITIES</b>				
Share capital	2,289,370	9,146,033	2,289,370	9,146,033
Retained earnings	395,977	1,581,928	184,301	736,282
	<u>2,685,347</u>	<u>10,727,961</u>	<u>2,473,671</u>	<u>9,882,315</u>
	<u>10,828,190</u>	<u>43,258,619</u>	<u>6,247,509</u>	<u>24,958,797</u>

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DEC. 2013

	2013		2012	
	US\$	KHR '000	US\$	KHR '000
Interest income	1,355,658	5,415,854	781,561	3,122,336
Interest expense	(497,282)	(1,986,642)	(236,166)	(943,483)
<b>Net interest income</b>	<b>858,376</b>	<b>3,429,212</b>	<b>545,395</b>	<b>2,178,853</b>
Fee and commission income	193,369	772,509	159,779	638,317
Fees and commission expense	(36,271)	(144,903)	(13,953)	(55,742)
Fee and commission income, net	157,098	627,606	145,826	582,575
Personnel expenses	(285,865)	(1,142,031)	(201,146)	(803,578)
Depreciation charge	(31,987)	(127,788)	(35,883)	(143,353)
General and administrative expenses	(368,101)	(1,470,563)	(296,502)	(1,184,525)
	<u>(685,953)</u>	<u>(2,740,382)</u>	<u>(533,531)</u>	<u>(2,131,456)</u>
Operating income	329,521	1,316,436	157,690	629,972
Provision for loan losses	(34,166)	(136,493)	(70,766)	(282,710)
Profit before income tax	295,355	1,179,943	86,924	347,262
Income tax expense	(83,677)	(334,290)	(33,126)	(132,338)
<b>Profit for the year</b>	<b>211,678</b>	<b>845,653</b>	<b>53,798</b>	<b>214,924</b>

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DEC. 2013

	Share capital US\$	Retained earnings US\$	Total US\$
As at 1 January 2012	2,289,370	130,501	2,419,871
Profit for the year	-	53,798	53,798
As at 31 December 2012	2,289,370	184,299	2,473,669
<b>KHR '000 Equivalents</b>	<b>9,146,033</b>	<b>736,275</b>	<b>9,882,308</b>
As at 1 January 2013	2,289,370	184,299	2,473,669
Profit for the year	-	211,678	211,678
<b>As at 31 December 2013</b>	<b>2,289,370</b>	<b>395,977</b>	<b>2,685,347</b>
KHR '000 Equivalents	9,146,033	1,581,928	10,727,961

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DEC. 2013

	2013		2012	
	US\$	KHR '000	US\$	KHR '000
<b>Cash flows from operating activities</b>				
Cash used in operations	(2,799,908)	(11,185,634)	(2,280,790)	(9,111,757)
<b>Cash flows from investing activities</b>				
Purchases of property and equipment	(7,070)	(28,245)	(88,623)	(354,049)
Cash used in investing activities	(7,070)	(28,245)	(88,623)	(354,049)
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	5,008,650	20,009,557	2,405,925	9,611,670
Repayments of borrowings	(903,141)	(3,608,048)	(160,000)	(639,200)
Cash generated from financing activities	4,105,509	16,401,509	2,245,925	8,972,470
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,298,531</b>	<b>5,187,630</b>	<b>(123,488)</b>	<b>(493,336)</b>
Cash and cash equivalents at the beginning of the year	145,658	581,905	269,146	1,087,081
Currency translation differences	-	-	-	(11,840)
<b>Cash and cash equivalents at the end of the year</b>	<b>1,444,189</b>	<b>5,769,535</b>	<b>145,658</b>	<b>581,905</b>