

# MOVING FORWARD

ANNUAL  
REPORT  
2012



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## ASEAN BUSINESS AWARD

On 17 November 2012, First Finance received the ASEAN Business Award 2012 presented by H.E. Cham Prasith, Senior Minister and Minister of Commerce of the Kingdom of Cambodia, during the Gala dinner held at Hotel Sofitel Phnom Penh Phokeethra, along with the ASEAN Business and Investment Summit (ASEAN-BIS).

There were 26 award recipients throughout the 10 ASEAN countries, 3 of which were Cambodian companies. The implementation process was administered by KPMG, who was appointed as the ASEAN Business Advisory Council's strategic partner, and judged by independent judging panel comprising of top business leaders, economist and academics from ASEAN countries.

FIRST FINANCE Plc  
In recognition of winning the  
"Most Admired ASEAN Enterprise"  
for the category of

Growth  
SME



Group photo of all the ASEAN Business Award 2012 recipients



Kevin Lim, CEO of First Finance, receives the ASEAN Business Award 2012 presented by H.E Cham Prasith, Senior Minister and Minister of Commerce, during the award ceremony



Group photo of First Finance staff during the ASEAN Business Award ceremony



## CHAIRMAN'S MESSAGE

THROUGH 2012 FIRST FINANCE SQUEEZED ITS MARGINS TO SET UP TWO BRANCH OFFICES IN SIEM REAP AND BATTAMBANG. THIS EXPANSION IS NOW PAYING OFF IN 2013 AS DEMAND FROM NEW HOME OWNERS IN THESE CITIES HAVE MADE THE NEW BRANCH OFFICES PROFITABLE.

We welcomed Emerging Markets Investments to team through a convertible loan. Oikocredit, Insitor Fund and Phillip Securities continue to be great partners along with the founders, First Home Plc. Thanks to NBC for enabling the development of a national credit bureau as

a clearing house of information between lenders. Better credit data is improving our lending decisions.

Congratulations to all the staff in winning the Asean Business Awards 2012 for growth (<http://www.asean-bac.org/asean-business-award.html>). This was a great award for such a new start up.

The key challenge going forward is finding the capital to meet the demand for micro-mortgages. Capital that is lower cost and longer term allowing us to provide better rates to our clients and serve lower income households.

A family's first home is a life changing event in so many ways. We'd like to keep scaling up this impact.

A handwritten signature in black ink that reads "Talmage Payne". The signature is written in a cursive, flowing style.

**TALMAGE MARK PAYNE**  
Chairman



## CEO'S MESSAGE

DESPITE THE CHALLENGES, WE HAVE MOVED FORWARD. OUR SUCCESS STORY WAS REFLECTED IN THE ASEAN BUSINESS AWARD 2012.

Year 2012 marks yet another great milestone in First Finance's business journey. During the ASEAN Business Summit held in Phnom Penh in November, First Finance was awarded the prestigious 2012 ASEAN Business Award for the Growth category by the Asean Business Advisory Council in strategic partnership with KPMG.

In an attempt to reach out to the underserved clients in the provincial urban areas and in response to the company's growth objective, we have this year opened a branch in Siem Reap and another in Battambang provincial town. With the geographic expansion, our loan portfolio has grown to almost USD6mil, representing an increase of 80% from last year, despite being challenged by increasing competitions and the company's constantly reducing loan size as its operation continued to expand to provincial and suburban areas.

Our corporate governance was further strengthened by formation of more board

committees and established policies and procedures. We have incorporated the Client Protection Principle into our Credit Policy in addition to our existing credit principles to ensure that our credit field staff operates in an ethical manner during their credit assessment process and that customer's interest is always well protected.

In preparation for the medium and long term sustainable growth, we have secured funding from new funding sources. With the new funding we will speedily gain our sales momentum and grow our portfolio and client base and will in turn improve both the financial and social bottom lines. We have also engaged professional consultants to conduct research and advise us on re/branding and strategic direction. In addition to our existing key partners we have also entered strategic partnership with socially driven affordable housing developers including Habitat for Humanity and Urban Village. This new partnership helps us reach out to low-income Cambodians that would be unreachable otherwise.

Our achievement would not be possible without the concerted effort of both management and non-management staff of the company as well as the continuing support of all stakeholders including the customers, the Board of Directors, the shareholders, the strategic partners, and the National Bank of Cambodia. I therefore thank everyone of you for your contribution and wish that success and happiness be brought to you and your families in 2013 and in the years to come.

As 2012 laid a very strong foundation for more aggressive growth, we are approaching year 2013 with great optimism. I am confident that 2013 will be another year to celebrate for First Finance.

**LIM HAK KHOUN (KEVIN)**  
Chief Executive Officer





2006

**FORMATION & PROOF OF CONCEPT**

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



2007

**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



2008

**ADDITIONAL EQUIVALENCE & MICROFINANCE LICENSING**

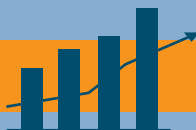
- Phillip Capital, Singapore's leading financial house, provided First Home Plc with equity capital
- First Finance started registration process as MFI with the National Bank of Cambodia



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



2010

**BREAK-EVEN & PROFITABILITY**

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



2011

**ADDITIONAL INVESTMENT & SUSTAINABILITY**

- Debt investment by Hwang DBS Bank, Oiko-credit, 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.



2012

**EXPANSION AND RECOGNITION 2012**

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

# MILESTONES

# FINANCIAL HIGHLIGHTS

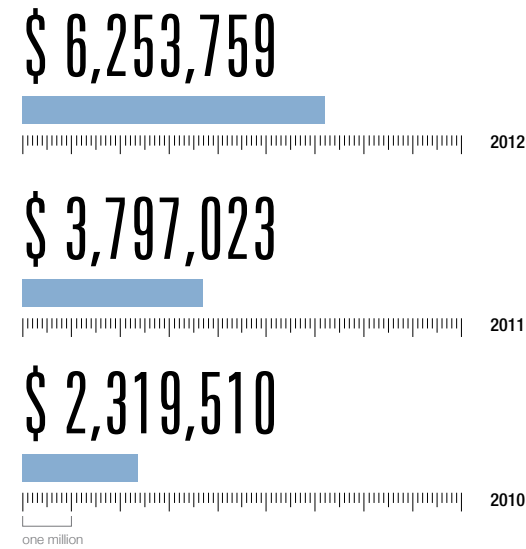
## LOAN PORTFOLIO



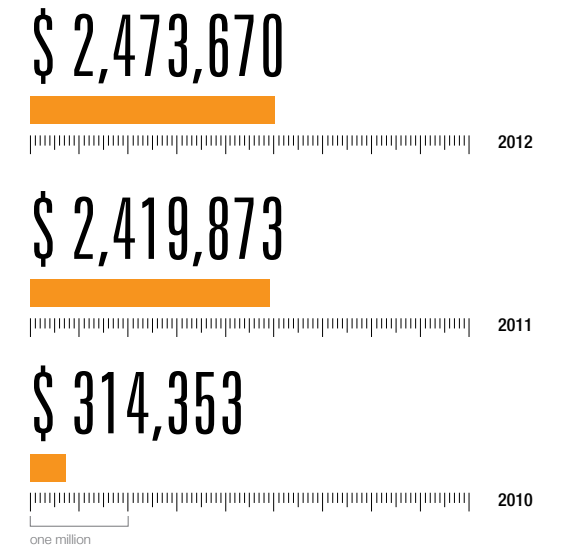
## NET PROFIT AFTER TAX



## ASSETS

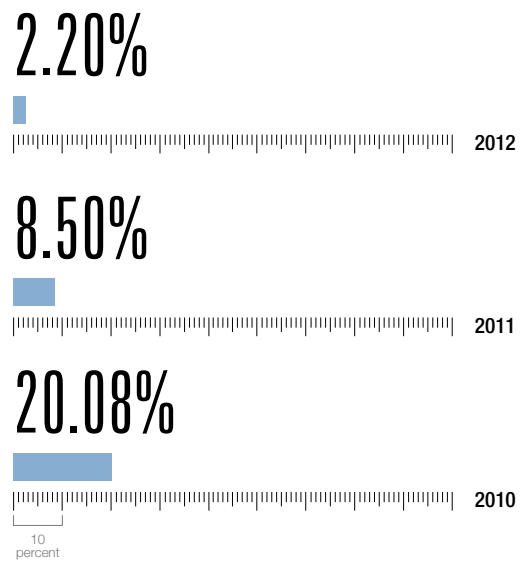


## EQUITY

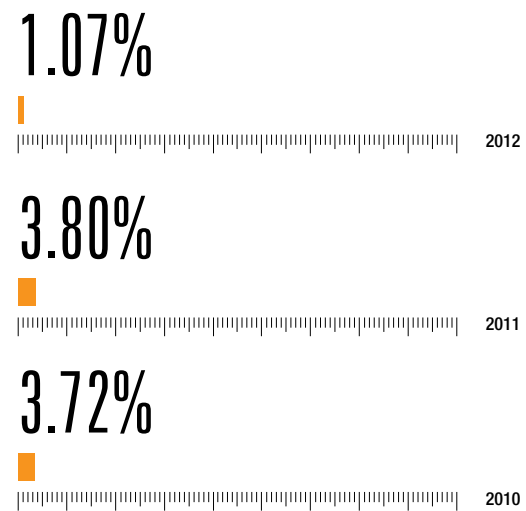


# FINANCIAL HIGHLIGHTS

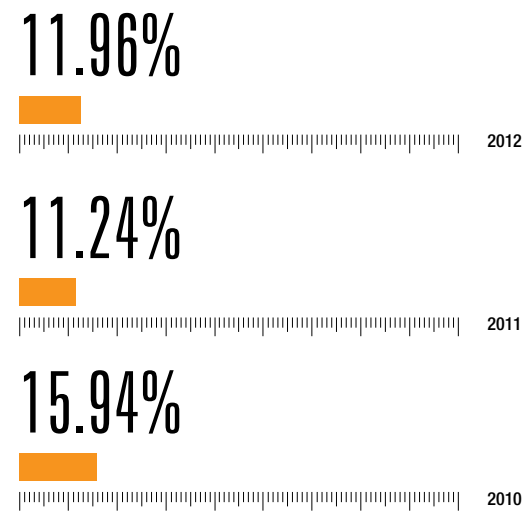
## RETURN ON EQUITY



## RETURN ON ASSETS



## OPERATING COST RATIO





# PRODUCTS/SERVICES

First Finance offers the following housing finance products:

## 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



# INVESTORS AND LENDERS' PROFILE



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. In Singapore, its members include Phillip Securities, Phillip Securities Research, Phillip Futures, Phillip Financial, Phillip Capital Management, CyberQuote, Phillip Private Equity, Phillip Trading, IFS Capital Limited and ECICS Limited.



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. Investments are made through Insitor Fund S.C.A, incorporated in Luxembourg as a limited partnership. Fund target size is 10/12 M Euro to be reached by the end of 2010. Insitor Fund's general partner is Luxembourg-based private limited company Insitor S.a.r.l. Operations are based in Phnom Penh, Cambodia.

During the initial stage, Insitor will primarily target its investments within the Mekong Region of Southeast Asia, where the fund has developed an established local presence.

Insitor believes that in-depth understanding of the social, political, business and regulatory context of its investees is critical to ensuring that all technical input is realistic, constructive and actionable.



## 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 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 connection.



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.





## CORPORATE PROFILE

### 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

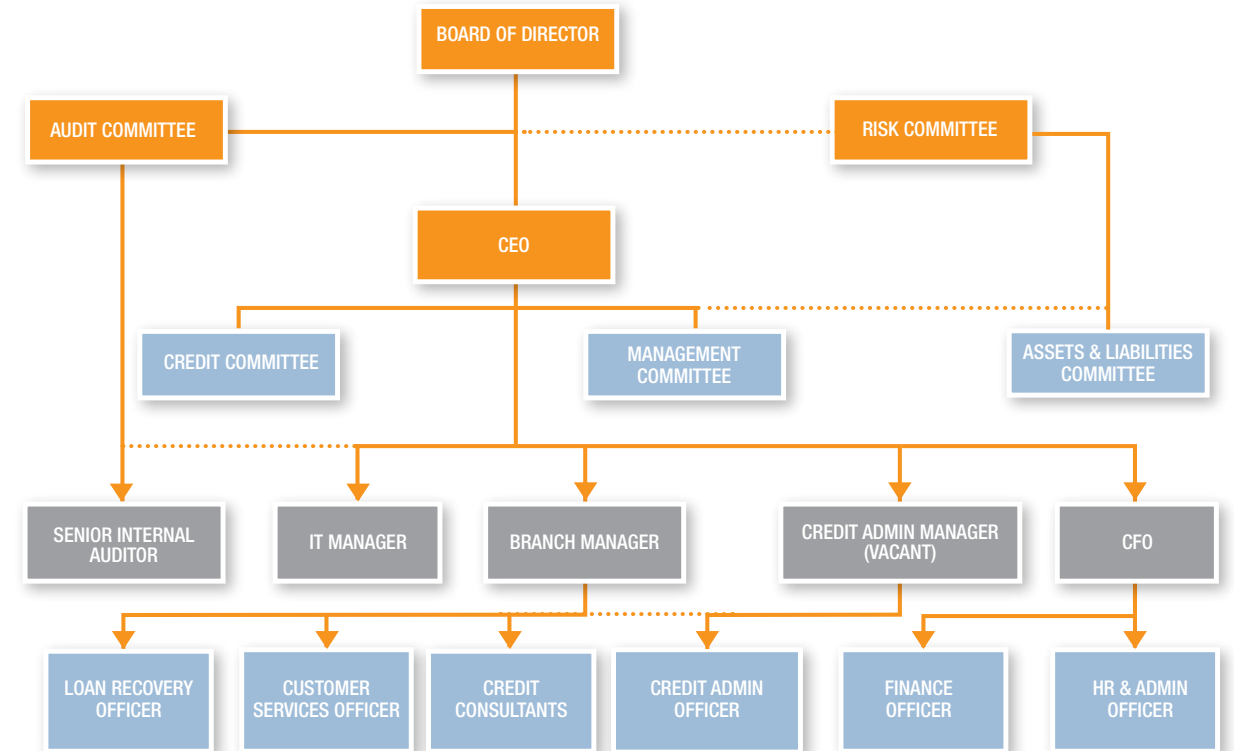
Our corporate philosophy is very simple, “**We think like a customer, and act like an owner**”, and our approaches are even simpler:

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

DESPITE THE CHALLENGES, WE HAVE  
MOVED FORWARD. OUR SUCCESS  
STORY WAS REFLECTED IN THE ASEAN  
BUSINESS AWARD 2012



## ORGANIZATIONAL CHART



# PROFILE OF BOARD OF DIRECTORS



## 1. TALMAGE MARK PAYNE, CHAIRPERSON

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



## 2. 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



## 3. NICHOLAS JOHN LAZOS, DIRECTOR

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



## 4. 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 Chairman for Hagar Design Pte. Ltd.
- Director of Prison Fellowship Singapore
- Vice-president in the Boys Brigade in Singapore



## 5. 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



## 6. 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



# PROFILE OF KEY MANAGEMENT



## 1. 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



## 2. SOTHANY 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



## 3. SAKADA HENG, CREDIT MANAGER

- Bachelor Degree in Accounting/ Finance
- Bachelor of Art in French Language
- Over 6 years work experiences
- Former Operation Coordinator of First Home Plc



## 4. 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)



## 5. NGY MAKARA, IT MANAGER

- Master Degree of Computer Science & Engineering
- Bachelor Degree of Arts in English
- Over 6 years of Management Experience
- IT Manager of Booyoung Khmer Bank
- IT Supervisor of Cambodia Asia Bank



# BOARD COMMITTEES

## A) 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, CHAIRMAN**
2. **TALMAGE PAYNE, MEMBER**
3. **ONG TEONG HOON, MEMBER**

## B) 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, CHAIRMAN**
2. **NICHOLAS LAZOS, MEMBER**
3. **MICAELA RATINI, MEMBER**



## CUSTOMER FIRST

When it comes to customer service, “**Customer First**” is our main philosophy. At First Finance, customers from all walks of life are equally welcomed by our well trained and hospitable staff without discrimination.

As soon as you walk in to our premise, you will get the immediate acknowledgement with **natural smile** from our Customer Service Officer.



# STAFF DEVELOPMENT & TRAINING

- External trainings on Risk Management, Human Resource, Accounting/ Finance, Management and Leadership. Workshops on taxation, corporate governance, foreign exchanges
- In-house trainings on:
  - o Client protection
  - o Sales and marketing
  - o Customer services
  - o Code of conduct/ethical business practice



Super Sales Saturday Meeting



Training on mobile transfer through Wing



Role play during the Wing training



Staff quarterly meeting



Staff quarterly meeting



Staff of the quarter



# SOCIAL IMPACT

Through its housing finance products, First Finance has socially and economically impacted over 3,000 low-income Cambodian lives whose income levels were broken down into 3 categories: <\$6/day, \$6/day to \$12/day, and >\$12/day.

**16%**  
BELOW \$6 PER DAY

**43%**  
BETWEEN \$6 AND \$12 PER DAY

**41%**  
MORE THAN \$12 PER DAY







# 1 Mrs. Korn Kimyeath and her family

Mrs. Korn Kimyeath, her husband and daughter used to live in Boeng Kak zone, facing eviction from their home. With little money saved and some compensation received from the Boeng Kak zone developer, the family barely managed to buy a not-yet-fully-completed flat in Borey Sen Sok. With home improvement loan from First Finance, the family is now living in a complete home. Kimyeath is a housewife; her husband is a construction worker; and her daughter is working in a garment factory.



# 2 Mr. Sorn Sophal and his family

We would like to thank First Finance Plc who provided us home loan to buy a home; it is our dream of becoming the owner of a home. Now we have a home; we live in our own home. Our living condition is now much better than before; our family used to live in a rent house which was small, dirty surrounding, and we had to pay rental fee every month; but now we are living in our own home; it is big enough for our family of 3; its surrounding is good; and our living condition is stable now. This is a good investment for our family; although we pay fixed monthly payment to First Finance, it is still better than to pay a fixed monthly rental fee because we are now living in our own home, not the home of the other. We almost unbelieve that a security guard like me and a cake sellerx like my wife can apply for a loan to buy a home of our dream; once again, we thank First Finance.

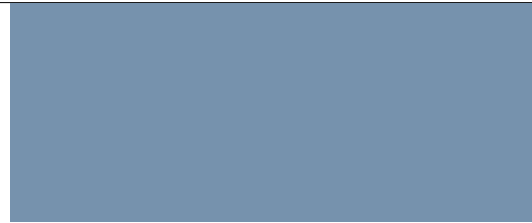




Kevin Lim receives a certificate of appreciation presented by H.E. Khiev Kanharith, Minister of Information



PSE soccer team sponsored by First Finance



First Finance staff hands over a certificate of attendance to PSE students



First Finance's products presentation during Battambang branch opening



Keven Lim delivers a speech on Life & Finance radio program



PSE soccer team sponsored by First Finance



PSE Student internship briefing



Group photo during Siem Reap branch opening



# REPORT OF THE BOARD OF DIRECTORS

The Board of Directors have pleasure in submitting their report together with the audited financial statements of First Finance Plc (“the Company”) for the year ended 31 December 2012.

## PRINCIPAL ACTIVITY

The principal activity of the Company is to provide micro-finance services to advance first time home ownership for middle and low income families in Cambodia.

## FINANCIAL RESULTS

The financial results of the Company for the year ended 31 December 2012 were as follows:

	US\$
Profit before income tax	86,923
Income tax expense	(33,126)
Net profit for the year	53,797

## RESERVES AND PROVISIONS

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

## BAD AND DOUBTFUL LOANS

Before the financial statements of the Company were prepared, the Board of Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad loans and the making of allowance for doubtful loans, and satisfied themselves that all known bad loans had been written off and adequate allowance had 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 written off for bad loans, or the amount of allowance for doubtful loans in the financial statements of the Company, inadequate to any substantial extent.

## CURRENT ASSETS

Before the financial statements of the Company were prepared, the Board of Directors took reasonable steps to ensure that any current 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 current assets in the financial statements of the Company misleading.

## SHARE CAPITAL

There were no changes in the registered and issued share capital of the Company for the year under review.

## VALUATION METHODS

At the date of this report, the Board of Directors is not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Company as misleading or inappropriate.

## CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person;
- (b) any contingent liability in respect of the Company that has arisen since the end of the financial 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 within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall 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.

## ITEMS OF UNUSUAL NATURE

The results of the operations of the Company for the year ended 31 December 2012 were not, in the opinion of the Board of Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial 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 affect substantially the results of the operations of the Company for the current financial year in which this report is made.

## THE BOARD OF DIRECTORS

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

- **Mr. Talmage Mark Payne**, Chairman
- **Ms. Micaela Ratini**, Director
- **Mr. Ong Teong Hoon**, Director
- **Mr. Nicholas Lazos**, Director
- **Mr. Michael Goh**, Director (appointed on 24 August 2012)
- **Ms. Dary So**, Director (appointed on 24 August 2012)

## EVENTS SINCE THE REPORTING DATE

At the date of this report, there have been no significant events occurring after the reporting date which would require adjustments or disclosures to be made in the financial statements other than as disclosed in the financial statements.

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements existed, to which the Company was a party with the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

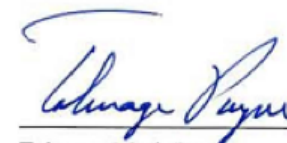
Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in the financial statements.

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

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
  - comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating the preparation and presentation of the financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
  - maintain adequate accounting records and an effective system of internal controls;
  - Responsibilities of the Board of Directors in respect of the financial statements (continued) 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
  - control and direct effectively the Company in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.
- The Board of Directors confirms that they have complied with the above requirements in preparing the financial statements.

On behalf of the Board of Directors,



**Talmage Mark Payne**  
Chairman

Date: 20 MAR 2013




**Lim Hak Khoun**  
Chief Executive Officer

Date: 20 MAR 2013

# REPORT OF THE INDEPENDENT AUDITORS

*(Extracted from the Financial Statements for the year ended 31 December 2012 and Report of Independent Auditors)*

## TO THE SHAREHOLDERS FIRST FINANCE PLC

We have audited the accompanying financial statements of First Finance Plc (“the Company”), which comprise the balance sheet as at 31 December 2012, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and 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 the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements, 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 our 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, we consider 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 financial statements present fairly, in all material respects, the financial position of First Finance Plc as at 31 December 2012, 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 relating to the preparation and presentation of the financial statements.

For KPMG Cambodia Ltd



Craig McDonald  
Audit Partner

Phnom Penh, Kingdom of Cambodia

20 March 2013

## BALANCE SHEET

AS AT 31 DEC 2012

	US\$	2012 KHR'000	2011 US\$
<b>ASSETS</b>			
Cash on hand	1,893	7,563	819
Deposits and placements with banks	143,855	574,701	268,329
Statutory deposits	114,469	457,304	114,469
Loans to customers, net	5,761,585	23,017,532	3,299,857
Other receivables	125,624	501,867	59,832
Property and equipment	106,333	424,800	53,717
<b>TOTAL ASSETS</b>	<b>6,253,759</b>	<b>24,983,767</b>	<b>3,797,023</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Other payables	208,990	834,915	49,287
Current income tax liability	25,174	100,570	27,863
Borrowings	3,545,925	14,165,970	1,300,000
<b>Total liabilities</b>	<b>3,780,089</b>	<b>15,101,455</b>	<b>1,377,150</b>
<b>Equity</b>			
Share capital	2,289,370	9,146,033	2,289,370
Retained earnings	184,300	736,279	130,503
<b>Total equity</b>	<b>2,473,670</b>	<b>9,882,312</b>	<b>2,419,873</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>6,253,759</b>	<b>24,983,767</b>	<b>3,797,023</b>

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DEC. 2012

	US\$	2012 KHR'000	2011 US\$
Interest income	781,561	3,122,336	466,365
Interest expenses	(236,166)	(943,483)	(54,161)
<b>Net interest income</b>	<b>545,395</b>	<b>2,178,853</b>	<b>412,204</b>
Other operating income	159,779	638,317	71,849
<b>Operating income</b>	<b>705,174</b>	<b>2,817,170</b>	<b>484,053</b>
Allowance for bad and doubtful loans	(70,766)	(282,710)	(33,332)
Operating and other expenses	(547,485)	(2,187,203)	(302,495)
<b>Profit before income tax</b>	<b>86,923</b>	<b>347,257</b>	<b>148,226</b>
Income tax expense	(33,126)	(132,338)	(32,076)
<b>Net profit</b>	<b>53,797</b>	<b>214,919</b>	<b>116,150</b>

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DEC. 2012

	Share capital US\$	Retained earnings US\$	Total US\$
Balance as at 1 January 2011	300,000	14,353	314,353
Net profit for the year	-	116,150	116,150
Conversion from borrowings to share capital	1,989,370	-	1,989,370
Balance as at 31 December 2011	2,289,370	130,503	2,419,873
Net profit for the year	-	53,797	53,797
Balance as at 31 December 2012	2,289,370	184,300	2,473,670
(KHR'000 equivalents)	9,146,033	736,279	9,882,312

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DEC. 2012

	US\$	2012 KHR'000	2011 US\$
<b>Cash flows from operating activities</b>			
Net cash used in operating activities	(2,280,702)	(9,111,403)	(1,201,935)
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	(88,623)	(354,049)	(39,193)
Net cash used in investing activities	(88,623)	(354,049)	(39,193)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	2,405,925	9,611,670	1,450,000
Repayment during the year	(160,000)	(639,200)	(150,000)
Net cash generated from financing activities	2,245,925	8,972,470	1,300,000
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(123,400)</b>	<b>(492,982)</b>	<b>58,872</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>269,148</b>	<b>1,075,246</b>	<b>210,276</b>
<b>Cash and cash equivalents at end of year</b>	<b>145,748</b>	<b>582,264</b>	<b>269,148</b>