



**YOUR FIRST DREAM** HOME CAME TRUE...



**2010**

**ANNUAL REPORT**



WE THINK LIKE A CUSTOMER, AND ACT LIKE AN OWNER.



CONT



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# CHAIRMAN'S MESSAGE



2010 was the company's second year of operations. We are pleased to report consistently strong portfolio quality, and a net profit for the period. The company has now achieved both operational and financial sustainability.

Looking forward, our focus is on growth that does not compromise the quality of the portfolio and steadily increasing the book value of the company. In 2011, equity will be increased by at least USD 2 million, and the company will use a stronger balance sheet to pursue commercial loans. As our capital base grows the company expects to open branch office in cities outside of Phnom Penh. There is clearly demand for mortgages, and our business model is working. Cambodia's economic growth is also stimulating demand for home ownership in urban areas. Our challenge will be raising enough capital to meet this demand on terms that fit our business model – particularly long term commitments that match the long term nature of our loans.

Improving our social performance is limited by the availability of affordable housing in the market. We are working to address this through partnerships with NGO's such as Habitat for Humanity and property developers willing to experiment with lower cost housing models.

We are here for the long term. First Finance will continue to improve both its social and financial performance as many more Cambodians experience first time home ownership.

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Talmage Payne

# CEO'S MESSAGE



2010 was an exciting year for First Finance despite the adverse effect of the global economic and financial crisis on Cambodian economy in general and property market in particular.

First Finance made remarkable progress toward achievement of its social and financial goals. Financially, with its lending activity resumed in late November 2009, First Finance achieved its monthly profit starting May 2010 and continued to be profitable ever since. With quality, its loan portfolio increased by over 300% in 2010 from 2009.

Socially, First Finance helped hundreds of urban poor realize their first home ownership dream. Majority of its customers rented small houses with poor living environment prior to becoming First Finance's customers. With our home loan products, they have been able to own their first home and enjoyed at the first time in their lives the sense of stability, security, and happiness with their family members because they have made the meaningful investment toward their own homes and family - a foundation for further economic development and prosperity.

First Finance also contributed to the financial literacy education in Cambodia through providing prospective customers with free consultations prior to their home purchase decision to ensure they always have sufficient information and knowledge to make an informed and right home purchase decision.

Although we are a new and startup company we have achieved a satisfactory level of recognition in terms of corporate governance and

professionalism. Coupled with our external auditor, KPMG, and Internal Auditor from Phillip Securities in Singapore, our audit and risk committees consisted of qualified members have further strengthened our corporate governance to ensure full regulatory compliance.

First Finance has earned its reputation in the local market rapidly thanked largely to its quality service provided by professional credit consultants and customer service officers, ethical practice, sound credit principles and procedures, and unique housing finance products tailored to the actual housing needs of the urban and rural poor. With our recorded performance we have gained trust and confidence in local and international investors and lenders (both social and commercial).

I am very proud of the social and financial achievement. This achievement was attributable to staff's hard work, efficient procedure, stringent control and good corporate governance. But we will not be self-complacent. We will continue to work harder and smarter to achieve both socially and financially. As a strategic direction for 2011 and beyond, we will expand our head office, open provincial branches to reach out to rural poor, and strengthen our corporate governance and internal control through purchase of new IT system and on-going staff capacity building. We will also explore alternative social sources of funding to raise both debt and equity funds to make our housing finance products even more affordable for first time Cambodian home owners.

I like to take this opportunity to thank the Board of Directors and shareholders for their trust and continued support of First Finance. I also like to thank all the staff for their hard work and commitment. Last but not least, I wish to thank all our valued customers for choosing First Finance as their financing partner to achieve their first time home ownership goal.

Special thanks is also given to our regulator, the National Bank of Cambodia, for their support and guidance without which we will not be able to operate and perform.

Lim Hak Khoun (Kevin)

## SENIOR ADVISOR'S MESSAGE



I have been interested in Cambodia since I first came here as a child in the late 1950's. I spent most of my career in finance, and on retirement decided to come to Cambodia as a volunteer advisor.

In 2007 I was sponsored by the International Finance Corporation (World Bank) to work for the newly created Cambodia Microfinance Association. At CMA I learned a great deal about microfinance in Cambodia, interacting with the senior management of the members, and participating in providing training for their employees. Microfinance was a long way away from my experience at JPMorgan, but finance is finance and I very much enjoyed the experience, and wanted to continue in the field.

When I was invited to join First Finance Plc. this year, I jumped at the opportunity. I had heard about the project from friends, and immediately bought into it. The prospect of being able to provide housing loans to those who do not normally have access to financial institutions at all was extremely motivating, and experience has exceeded my expectations.

My assignment has concentrated on increasing the visibility and public awareness of First Finance and its mission. We have reached out to large companies with important numbers of employees who are in our target population, with potential to become clients. First Finance has become a member of international professional organizations in Cambodia, raising our outreach, and allowing our CEO to network with high level executives and diplomats, and foreign investors. We initiated discussions with other financial institutions for funding and client referral.

Working with the Board, a committed group of supporters, who are always available to give time and counsel, gave me a firm vision of where First Finance is heading. Kevin Lim, our CEO guided me through the assignment with friendship, tact, and intelligence, I have really enjoyed working with him. Interacting with our very young, yet very competent staff has given me a new perspective on customer service. Not only are they doing a good job, but they are having a fun time at it, making for a very positive atmosphere in the office.

First Finance is doing well, has become profitable in record time, and is now expanding, which requires doubling its office space in Phnom Penh, and soon opening in other provinces of Cambodia. I am proud to be a small part of this exciting venture, and hope to continue to participating in any way I can. Good luck and Godspeed!

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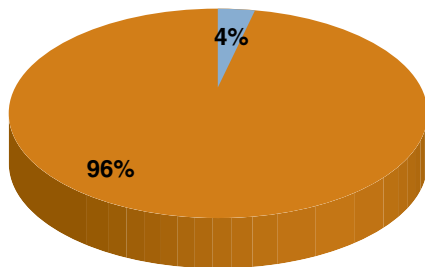
Stephen B. Piece

# KEY FINANCIAL FIGURES

	2010 (USD)	2009 (USD)
Total Assets	2,319,510	777,276
Shareholders' Equity	314,353	266,577
Loan Portfolio	2,049,039	491,282
Portfolio at Risk >30 days	0.00%	0.00%
Return on Assets (ROA)	2.80%	(5.74%)
Operating Cost Ratio (OCR)	16.80%	27.34%
Gross Revenues	214,656	35,211
<b>Profit After Tax</b>	<b>57,362</b>	<b>(43,009)</b>

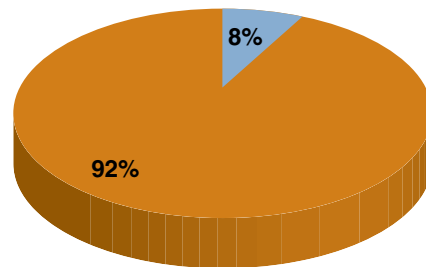
## Loan Breakdown by Product Dec-09

■ Home Improvement Loan ■ Home Loan

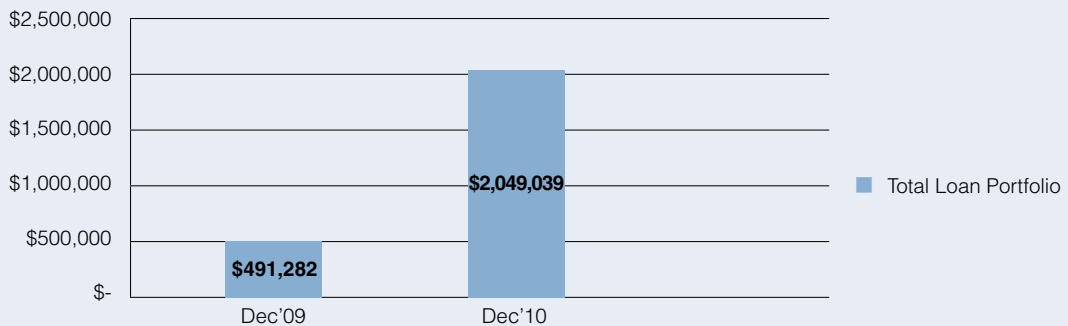


## Loan Breakdown by Product Dec-10

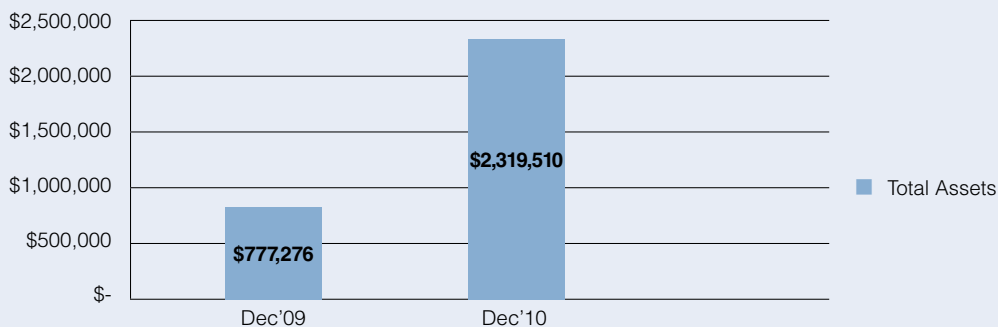
■ Home Improvement Loan ■ Home Loan



### TOTAL LOAN PORTFOLIO DECEMBER'09 - DECEMBER'10



### TOTAL ASSETS DECEMBER'09 - DECEMBER'10



# CORPORATE PROFILE

## CORPORATE INFORMATION

First Finance Plc. is a joint venture company established between Cambodia-based First Home Plc., Singapore-based Phillip Capital, and Luxembourg-based Insitor Fund. The company was granted its license on 23rd April 2009 by the National Bank of Cambodia, and became the first financial institution specialized in housing finance in Cambodia. The company is focused on providing a long-term Home Loan and medium-term Home Improvement Loans to underserved low-middle income Cambodian households who do not have access to formal commercial lending.

As the founding company of First Finance, First Home Plc., has tested and refined its initial housing finance concept and has conducted studies on the market needs for housing loans and thus provided First Finance and a foundation for growth and expansion.

### 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.

### Target

Our target customers are low and middle income Cambodian households that seek to invest in their first home.

### Products/Services

First Finance offers two housing finance products:

#### 1. Home Loan: For Purchase of Customer's First Home

- Competitive annual 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)

#### 2. Home Improvement Loan: For Construction, Renovation, or Expansion

- Competitive annual interest rate
- Fixed monthly payments for the term of the loan
- Loan term up to 5 years
- Property title taken as collateral (both hard and soft title)

## Value Proposition

The vast majority of Cambodian households have no access to formal housing finance. While commercial banks have begun to offer home loan products, they are more focused on wealthier Cambodians.

First Finance provides customers with loan products/services specific to their needs, and with requirements that are in line with the realities of Cambodia. Furthermore, customers can meet directly with our credit consultants in order to fully understand our products, as well as to assist with the legal processes associated with purchasing their first home.

## 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



# CORPORATE PROFILE (Continued)

## PROFILES OF SHAREHOLDERS

### Shareholders:

1. POEMS Pte. Ltd.
2. Insitor Fund SCA
3. First Home Plc.



### 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 2,800 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.

# CORPORATE PROFILE (Continued)

## PROFILES OF SHARHOLDERS (Continued)



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### First Home Plc.

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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 Plc. 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.

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## PROFILE OF BOARD OF DIRECTORS

### 1) Talmage Payne, Chairman

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

### 2) 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

### 3) 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

### 4) Nicholas Lazos, Director

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

### 5) Michael Tan Teck Keoung, Director

- BSc, MSc, and PhD degrees from the National University of Singapore

# CORPORATE PROFILE (Continued)

## PROFILE OF BOARD OF DIRECTORS (Continued)

- Director, Corporate Development at Phillip Securities Pte. Ltd. in Singapore since 2008 and Board of Cyberquote Pte Ltd in Singapore
- Over 20 years of combined experience in industry and academia including stints as Information System Manager at Hamilton Sundstrand Pte. Ltd.
- Regional Industry Consultant at SAP Asia
- Lecturer at National University of Singapore
- Assistant Professor at University of Nevada, United States

## BOARD COMMITTEES

### A) Risk Committee

The Risk Committee consists of three members:

#### 1. Nicholas Lazos, Chairman

#### 2. Sothany Chun, Member

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

#### 3. Micaela Ratini, Member

### B) Audit Committee

The Audit Committee consists of four members:

#### 1. Ong Teong Hoon, Chairman

#### 2. Michael Tan Teck Keoung, Member

#### 3. Kay Lot, Member

- Joined CamGSM since January 2003 as Finance Manager then as Chief Financial Officer and was promoted as Group Financial Controller in 2005 and then Chief Operating Officer in 2009.

- Over 13 years of professional experience in financial management including 4 years in general management, both competencies acquired from various assignments in the telecommunications, banking and media in a number of multinational companies and public service industries.

- Former Head of Service Delivery at Standard Chartered Bank Cambodia.

- BSc from Warren National University (formerly Kennedy Western University), Idaho USA.

#### 4. Tea Chansotheary, Member

- Freelance Consultant
- 18 years experience with local and international NGOs
- Business Admin and Science Degrees
- Former GM and current Director of CREDIT MFI

# CORPORATE PROFILE (Continued)

## PROFILE OF KEY MANAGEMENT

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### **Lim Hak Khoun (Kevin), CEO**

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- Cambodian-born Chinese Canadian educated in Cambodia and Canada
  - Graduated with Business Degree from York University, Toronto, Canada
  - 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
  - Linguistic skills: Khmer, English, French, Chinese (Mandarin, Cantonese, and Teo chew dialects), Vietnamese, and basic Thai
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### **Stephen B. Pierce, Senior Advisor**

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- US citizen educated in the USA and France.
  - BA from Columbia University in the City of New York
  - 25 years experience in International Banking (JPMorgan, Fahnestock & Co.)
  - Managing Director of the American Chamber of Commerce in France
  - Advisor to Cambodia Microfinance Association on behalf of IFC.
  - Advisor to American Cambodian Business Council (AmCham Cambodia)
  - Fluent in English, and French. Good Spanish, rudimentary Thai
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### **Sakada Heng, Credit Admin Manager**

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- Bachelor Degree in Accounting/Finance
  - Over 5 years work experience
  - Former Operation Coordinator of First Home Plc.
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### **Tith Sophaknich, Senior Credit Consultant**

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- Over 15 years of work experience including 7 years experience in microfinance industry
  - Strong background in micro credit assessment, analysis, and management
  - Bachelor degree in business administration
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### **Auditor**

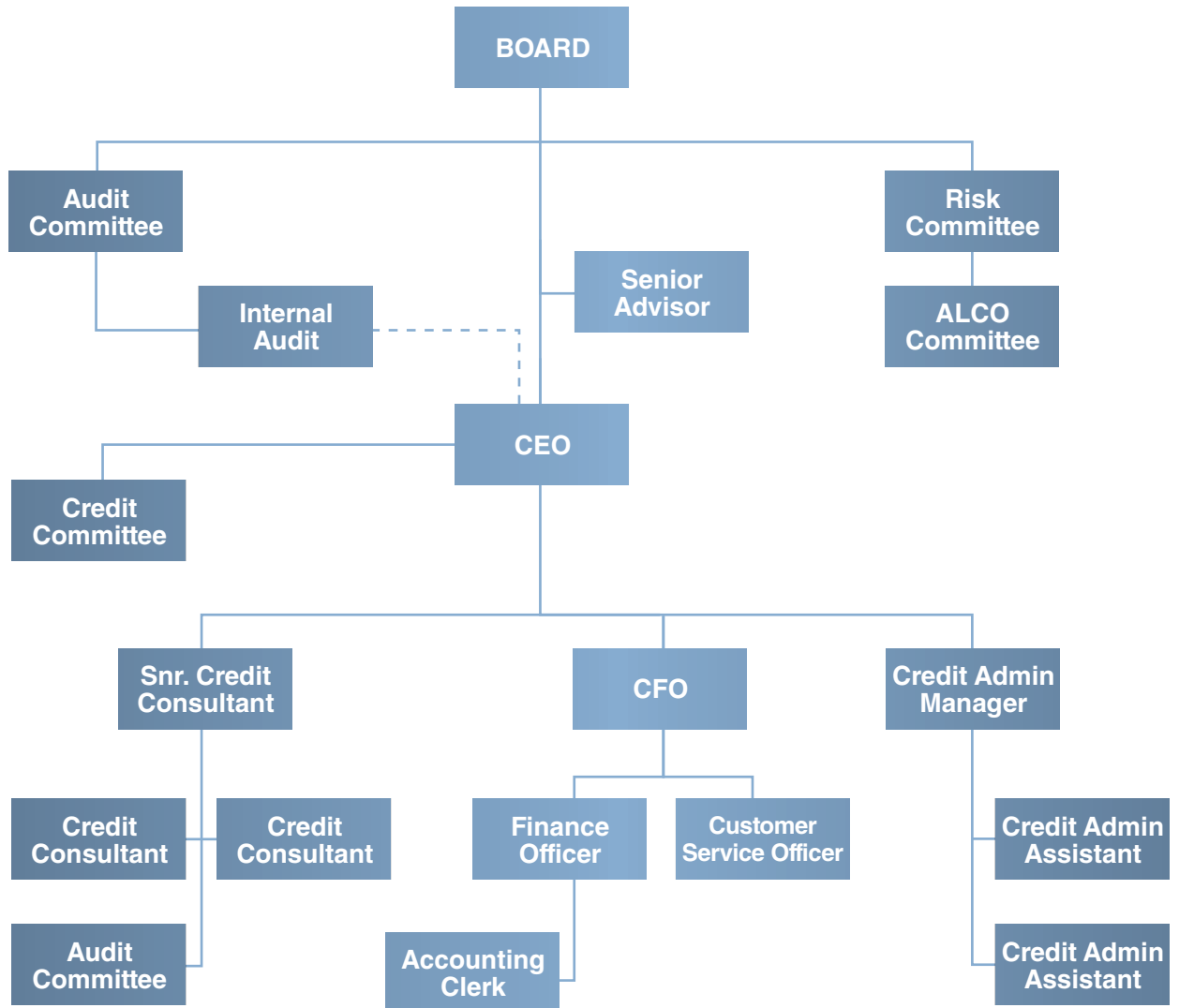
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#### **KPMG Cambodia Ltd.**

4th Floor, Delano Center

No. 144, Street 169, Sangkat Veal Vong, Khan 7 Makara, Phnom Penh, Cambodia.

# ORGANIZATION CHART



# SOCIAL IMPACT

## *What have we helped our customers?*

First Finance has actively contributed to changing the lives of low-income Cambodians through providing long-term Home Loan and Home Improvement Loan products. Our home loan products **NOT ONLY** have made the first home ownership dream of hundreds of Cambodian families come true but also improved their living standard.

Here are some existing clients of First Finance:

### **1. Mr. Noun Nuch, Leng Choeurn, Sreynang**



*Previous House before reconstruction*



*Nuch's family in their reconstructed house*

Mr. Noun Noch works as bicycle repairman and his wife, Leng Choeun works as a cleaner at Pour Sourier D'Enfant NGO. They have 2 children: Nuch Sreynang and Nuch Vichet. Srey Nang works as Sales Representative at Monument Book and her brother, Nuch Vichet works as kitchen helper in a restaurant. They have combined household income of \$410 per month. They had lived in their previous old wooden house located at Domnak Thom Village, Stung Meanchey Commune, and Meanchey District for more than 10 years. With \$5,900 Home Improvement Loan granted by First Finance, they have rebuilt a concrete brick house with area of 4m X 9m. The family is now living happily in their new house.

*"We are very thankful to First Finance for the Home Improvement Loan that enabled us to own our first home. We are happy to be in our own home and we no longer worry of changing school for our kids."*

# SOCIAL IMPACT (Continued)

## 2. Touch Vitou and Touch Mey



*Mey and her brother Vitou in her previous house*



*Current house after the upgrade*

Since moving to Phnom Penh from Takeo 7 years ago, Mey has worked as a cook for an expatriate family. Vitou, her older brother, works for a local development agency and part-time as a radio host. Together, they earn a combined household income of \$250 per month. Through First Finance, Vitou and Mey secured a \$5,000 loan to purchase a home in the Pochentong area. With additional Home Improvement Loan of \$3,500 granted by First Finance their existing home was upgraded.

*“My friends and relatives are very surprised that I was able to borrow and purchase my own home,” beams Mey.*

## 3. Un Mong and Sin Sokhom



*Current house*



*Un Mong and her family*

Un Mong earns his living as a residential security guard for more than 6 years. His wife, Sin Sokhom works as a cook and cleaner for MCC Cambodia for 14 years. They have 3 children and have been living in rented house. Their monthly rental is \$60. With their combined household income of \$380, they have secured \$6,000 home loan from First Finance and make a fixed monthly repayment of \$119.

*“We are very happy as our dream to own our first home come true. We now have our own home and a happy family”*

*“Why should my money go to rent payment for someone else when it can go toward my own home?”*

# 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 2010.

## 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 2010 were as follows:

	<b>US\$</b>
Profit before income tax	63,844
Income tax expense	(6,482)
<b>Net profit for the year</b>	<b>57,362</b>

## 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, other than debts, 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.

## 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.



# REPORT OF THE BOARD OF DIRECTORS (Continued)

## 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 2010 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. Michael Tan Teck Keung   Director (Appointed on 28 October 2010)
- Mr. Nicholas Lazos          Director (Appointed on 7 May 2010)
- Mr. Kim Yoeum                Director (Resigned on 7 May 2010)
- Ms. Tea Chansotheary        Director (Resigned on 31 December 2010)

## 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.

# REPORT OF THE BOARD OF DIRECTORS (Continued)

## 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 2010, 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:

- (i) Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) Comply with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (CIFRS for SMEs) and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of 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;
- (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) 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

25 April 2011



**Lim Hak Khoun**  
Chief Executive Officer

# REPORT OF THE INDEPENDENT AUDITORS

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## To the shareholder First Finance Plc.

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We have audited the accompanying financial statements of First Finance Plc. (“the Company”), which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, changes in equity and 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 International Financial Reporting Standards for Small and Medium-sized Entities (CIFRS for SMEs) 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.

# REPORT OF THE INDEPENDENT AUDITORS (Continued)

## OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of First Finance Plc. as at 31 December 2010, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements.

## EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to the fact that the corresponding figures presented, excluding the adjustments described in Note 24 to the financial statements, are based on the financial statements of the Company as at and for the year ended 31 December 2009, which were audited by other auditors whose report dated 29 April 2010 expressed an unmodified opinion on those financial statements. As part of our audit we audited the adjustments described in Note 24 that were applied to restate the corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied.

## For KPMG Cambodia Ltd.



**Craig McDonald**

*Audit Partner*

Phnom Penh  
25 April 2011

# FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	2010		2009
	US\$	KHR'000	US\$ (Restated)
<b>ASSETS</b>			
Cash on hand	730	2,959	250
Deposits and placements with banks	209,546	849,290	255,141
Statutory deposits	15,000	60,795	15,000
Loans to customers	2,049,039	8,304,755	491,282
Other receivables	23,292	94,402	3,759
Property and equipment	21,903	88,773	2,258
<b>TOTAL ASSETS</b>	<b>2,319,510</b>	<b>9,400,974</b>	<b>767,690</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Other payables	11,472	46,496	10,603
Current income tax liability	4,315	17,489	96
Borrowings	1,989,370	8,062,916	500,000
Total liabilities	2,005,157	8,126,901	510,699
<b>Equity</b>			
Share capital	300,000	1,215,900	300,000
Retained earnings/(accumulated losses)	14,353	58,173	(43,009)
Total equity	314,353	1,274,073	256,991
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,319,510</b>	<b>9,400,974</b>	<b>767,690</b>

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	2010		2009
	US\$	KHR'000	US\$ (Restated)
Interest income	214,656	870,001	35,211
Interest expenses	-	-	-
<b>Net interest income</b>	<b>214,656</b>	<b>870,001</b>	<b>35,211</b>
Other operating income	51,660	209,378	2,820
<b>Operating income</b>	<b>266,316</b>	<b>1,079,379</b>	<b>38,031</b>
Operating and other expenses	(202,472)	(820,619)	(80,660)
<b>Profit/(loss) before income tax</b>	<b>63,844</b>	<b>258,760</b>	<b>(42,629)</b>
Income tax expense	(6,482)	(26,272)	(380)
<b>Net profit/(loss) for the year/total comprehensive income/(loss)</b>	<b>57,362</b>	<b>232,488</b>	<b>(43,009)</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital US\$	(Accumulated losses) /retained earnings	Total US\$ (Restated)
		KHR'000	
Balance as at 1 January 2009 (as previously reported)	300,000	-	300,000
Net loss for the year (restated)	-	(43,009)	(43,009)
Balance as at 31 December 2009 (restated)	300,000	(43,009)	256,991
Net profit for the year	-	57,362	57,362
<b>Balance as at 31 December 2010</b>	<b>300,000</b>	<b>14,353</b>	<b>314,353</b>
<b>(KHR'000 equivalents) (Note 4)</b>	<b>1,215,900</b>	<b>58,173</b>	<b>1,274,073</b>

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2010

	2010		2009
	US\$	KHR'000	US\$ (Restated)
<b>Cash flows from operating activities</b>			
Net cash used in operating activities	(1,510,437)	(6,121,801)	(242,455)
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	(24,048)	(97,467)	(2,225)
Net cash used in investing activities	(24,048)	(97,467)	(2,225)
<b>Cash flows from financing activities</b>			
Proceeds from convertible loans	1,489,370	6,036,417	500,000
Net cash generated from financing activities	1,489,370	6,036,417	500,000
Net (decrease)/increase in cash and cash equivalents	(45,115)	(182,851)	255,320
Cash and cash equivalents at beginning of year	255,391	1,035,100	71
<b>Cash and cash equivalents at end of year</b>	<b>210,276</b>	<b>852,249</b>	<b>255,391</b>



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