BAIDURI FINANCE BERHAD

(Incorporated in Brunei Darussalam)

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

[ROC No: AGO/RC/4048]

BAIDURI FINANCE BERHAD
(Incorporated in Brunei Darussalam)

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

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BAIDURI FINANCE BERHAD
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REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and audited financial statements of Baiduri Finance Berhad (the "Company") for the financial year ended December 31, 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Company are to be engaged in the business of hire purchase and related financial services. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	2022 B$'000
Balance as at January 1, 2022	**55,910**
Profit for the year	27,911
Transferred to Statutory Reserve from Retained Earnings	(4,186)
Dividends paid	(20,779)
Balance as at December 31, 2022	**58,856**

RESERVES AND PROVISIONS

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

FINANCIAL STATEMENTS

The state of affairs of the Company as at December 31, 2022 is set out in the Statement of Financial Position. These financial statements were approved by the Board of Directors on March 15, 2023.

BAIDURI FINANCE BERHAD
(Incorporated in Brunei Darussalam)

REPORT OF THE DIRECTORS

DIVIDENDS

	2022 B$'000
Dividends declared and paid during the financial year are as follows: -	
Final dividend paid on April 22, 2022 in respect of the financial year ended December 31, 2021	13,779
Interim dividend paid on September 19, 2022 in respect of the financial year ended December 31, 2022	7,000

At the forthcoming Annual General Meeting, a final dividend of B$ 16,723,000 in respect of the financial year ended December 31, 2022 will be proposed for shareholders' approval.

DIRECTORS

The Directors of the Company in office at the date of this report are:

YAM Pengiran Muda Dr Abdul Fattaah
YM Dato Paduka Timothy Ong Teck Mong
Ti Eng Hui
Pierre Imhof
Haji Haliluddin Bin Dato Hj Talib
Haji Shazali Bin Dato Hj Sulaiman

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND/OR DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND/OR DEBENTURES

The directors holding office at the end of the financial year had no interests in the share capital or debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 145A of the Brunei Darussalam Companies Act, Chapter 39 except as follows:

	Shareholdings registered under the name of director or nominee	
Name of directors and companies in which interests are held	At end of the year	At beginning of the year or date of appointment, if later
Baiduri Finance Berhad		
(Ordinary shares)		
YAM Pengiran Muda Dr Abdul Fattaah	1	1
YM Dato Paduka Timothy Ong Teck Mong	1	1
Pierre Imhof	1	1

DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

AUDITORS

The auditors, Deloitte & Touche, have indicated their willingness to accept re-appointment.

ON BEHALF OF THE BOARD

Sulaiman.

....

DIRECTOR

....

DIRECTOR

Brunei Darussalam
Date: March 15, 2023

Deloitte.

ديلويت دان توچ

Deloitte & Touche (P/8774/1978)
Certified Public Accountants
5th Floor, Wisma Hajjah Fatimah
22 & 23 Jalan Sultan
Bandar Seri Begawan BS8811
P.O. Box 1965
Bandar Seri Begawan BS8673
Brunei Darussalam

Tel: +673-2225880,
2223640, 2236603
Fax: +673-2223360
www.deloitte.com/bn

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

BAIDURI FINANCE BERHAD
(Incorporated in Brunei Darussalam)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Baiduri Finance Berhad (the "Company") which comprise the statement of financial position as at December 31, 2022 and the statement of profit and loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 69.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Brunei Darussalam Companies Act, Chapter 39, Finance Companies Act, Chapter 89 (the "Acts") and International Financial Reporting Standards ("IFRS"), so as to give a true and fair view of the financial position as at December 31, 2022 and of the financial performance, changes in equity and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Brunei Darussalam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the Report of the Directors included in pages 1 to 3.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Acts and IFRS, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities also include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, if any, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Acts to be kept by the Company have been properly kept in accordance with the provisions of the Acts. We have obtained all the information and explanations that we required.

Deloitte & Touche

DELOITTE & TOUCHE
Certified Public Accountants

HAJI ZULFARIQ ZARA BIN HAJI ZAINUDDIN
Public Accountant

Brunei Darussalam
Date: March 15, 2023

STATEMENT OF PROFIT OR LOSS
For the year ended December 31, 2022

	Note	2022 B$'000	2021 B$'000
Income			
Interest Income	5	54,465	56,117
Less: Interest Expense	6	(1,725)	(2,673)
Net Interest Income		52,740	53,444
Fee Income		247	231
Fee Expense		-	(1)
Net Fee Income		247	230
Other Operating Income	7	2,745	2,858
Total Operating Income		55,732	56,532
Less:			
Personnel Expenses	8	(5,928)	(5,932)
Provision for End of Service Benefits		(288)	(288)
Other Overhead Expenses	9	(21,866)	(21,569)
Total Operating Expenses		(28,082)	(27,789)
Less:			
Impairment Losses for Loans	4.4	(4,642)	(8,499)
Recoveries of Loans Written-off		11,118	9,736
Net Impairment Charges and Allowances		6,476	1,237
Profit before Taxation		**34,126**	**29,980**
Less: Income Tax Expense	10	(6,215)	(5,534)
Profit after Taxation / Profit for the year		**27,911**	**24,446**

The significant accounting policies and the notes from pages 12 to 69 form an integral part of the financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2022

	2022 B$'000	2021 B$'000
Profit after Taxation / Profit for the year	27,911	24,446
Other Comprehensive Income	-	-
Total Comprehensive Income for the year	**27,911**	**24,446**

The significant accounting policies and the notes from pages 12 to 69 form an integral part of the financial statements.

BAIDURI FINANCE BERHAD
(Incorporated in Brunei Darussalam)

STATEMENT OF FINANCIAL POSITION
As at December 31, 2022

	Note	2022 B$'000	2021 B$'000
ASSETS			
Cash and Balances with Bank	11	217,272	355,796
Balances with BDCB	12	60,736	66,250
Loans and Advances	13	831,394	818,234
Other Assets	14	32,175	31,978
Right-of-use Assets	15	769	1,099
Property, Plant and Equipment	16	828	1,083
Total Assets		**1,143,174**	**1,274,440**
LIABILITIES			
Deposits from Customers	17	958,269	1,095,553
Lease Liabilities	18	870	1,205
Other Liabilities	19	8,462	9,589
Provision for Taxation	10	24,201	23,853
Deferred Taxation	20	47	47
Total Liabilities		**991,849**	**1,130,247**
SHAREHOLDERS' EQUITY			
Share Capital	21	45,000	45,000
Statutory Reserve	22	47,469	43,283
Retained Earnings	23	58,856	55,910
Total Equity		**151,325**	**144,193**
Total Liabilities and Equity		**1,143,174**	**1,274,440**

The financial statements were approved by the Board of Directors and signed for and on its behalf.

Sulaiman.

Director

Director

The significant accounting policies and the notes from pages 12 to 69 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2022

			Retained Earnings		
	Share Capital B$'000	**Statutory Reserve B$'000**	**Retained Earnings B$'000**	**Prudential Reserve for Credit Losses B$'000**	**Total Equity B$'000**
Balance as at January 1, 2021	**45,000**	**39,616**	**54,500**	**766**	**139,882**
Net profit representing total comprehensive income for the year	-	-	24,446	-	24,446
Transfer to:					
- Statutory Reserve	-	3,667	(3,667)	-	-
- Prudential Reserve for Credit Losses	-	-	(141)	141	-
Interim dividend paid	-	-	(7,000)	-	(7,000)
Final dividend paid	-	-	(13,135)	-	(13,135)
Balance as at December 31, 2021	**45,000**	**43,283**	**55,003**	**907**	**144,193**
Net profit representing total comprehensive income for the year	-	-	27,911	-	27,911
Transfer to:					
- Statutory Reserve	-	4,186	(4,186)	-	-
- Prudential Reserve for Credit Losses	-	-	(4)	4	-
Interim dividend paid	-	-	(7,000)	-	(7,000)
Final dividend paid	-	-	(13,779)	-	(13,779)
Balance as at December 31, 2022	**45,000**	**47,469**	**57,945**	**911**	**151,325**

The significant accounting policies and the notes from pages 12 to 69 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
For the year ended December 31, 2022

	Note	2022 B$'000	2021 B$'000
Cash flows from operating activities			
Profit before taxation:		34,126	29,980
Adjustments for non-cash items:			
Impairment Losses for Loans	4.4	4,642	8,499
Depreciation of Right-of-use Assets	15	564	581
Depreciation of Property, Plant and Equipment	16	369	275
Increase in Accrued Expenditure and Provisions		185	308
Interest Expense on Lease Liabilities		49	79
Loss on Disposal of Property, Plant and Equipment		-	1
Operating profit before change in operating assets and liabilities		**39,935**	**39,723**
Change in operating assets and liabilities:			
Balances and placements with Immediate Holding Company		124,116	(27,931)
Balances and placements with BDCB		5,514	(3,998)
Loans and Advances		(17,802)	(25,214)
Other Assets		(197)	(1,856)
Deposits from Customers		(137,284)	46,330
Other Liabilities		(1,312)	598
Cash from operating activities		**12,970**	**27,652**
Income tax paid	10	(5,867)	(5,318)
Net cash from operating activities		**7,103**	**22,334**
Cash flows (used in) investing activity			
Purchase of Property, Plant and Equipment	16	(114)	(118)
Net cash (used in) investing activity		**(114)**	**(118)**
Cash flows (used in) financing activities			
Repayment of Lease Liabilities	24	(618)	(629)
Dividends paid		(20,779)	(20,135)
Net cash (used in) financing activities		**(21,397)**	**(20,764)**
Net change in cash and cash equivalents		(14,408)	1,452
Cash and cash equivalents as at January 1		52,632	51,180
Cash and cash equivalents as at December 31	24	**38,224**	**52,632**

The significant accounting policies and the notes from pages 12 to 69 form an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

1 GENERAL

Baiduri Finance Berhad (the "Company") is incorporated in Negara Brunei Darussalam with its principal place of business and registered office at Units 1 to 3, Ground & 1st Floor, Highway End, Plot 77, Lot B, Komplex Perindustrian Beribi, Bandar Seri Begawan BE1318, Negara Brunei Darussalam. The Company is engaged in the business of hire purchase and related financial services. There have been no significant changes in the nature of these activities during the financial year.

The Company's immediate holding company is Baiduri Bank Berhad, incorporated in Brunei Darussalam. The ultimate holding company is Baiduri Holdings Berhad, also incorporated in Brunei Darussalam.

The Company's associate company is Baiduri Capital Sdn Bhd, incorporated in Brunei Darussalam. The Company has a B$1.00 investment in its associate company.

The financial statements of the Company for the year ended December 31, 2022 were authorised for issue by the Company's Board of Directors on March 15, 2023.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF FINANCIAL STATEMENTS PREPARATION

The financial statements have been prepared in accordance with the Brunei Darussalam Companies Act, Chapter 39, Finance Companies Act, Chapter 89 (the "Acts") and the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Details of the Company's accounting policies, including changes during the year, are included within Note 2.

2.2 BASIS OF MEASUREMENT

The financial statements have been prepared on a historical cost basis, except for certain investment securities and derivative financial instruments classified as at fair value through profit or loss that have been measured at fair value at the end of each reporting period. The financial statements are presented in Brunei Dollars and all values are rounded to the nearest thousand (B$000), except when otherwise indicated. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use for assessing impairment of non-financial assets in IAS 36 Impairment of Assets.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 BASIS OF MEASUREMENT (cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

2.3 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration to which the Company expects to be entitled in a contract with a customer and excludes amount collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

2.3.1 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs and dealers' commission that are directly attributable to the acquisition or issue of a financial asset or liability.

2.3.2 Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

2.3 REVENUE RECOGNITION (cont'd)

2.3.3 Other operating income

Other operating income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest and dividends.

2.4 LEASES

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate, which is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivables;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 LEASES (cont'd)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any adjustments during the period presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 LEASES (cont'd)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other overhead expenses' in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

2.5 FOREIGN CURRENCIES

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.6 TAXATION

The income tax expense represents the sum of the tax currently payable and deferred tax.

2.6.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 TAXATION (cont'd)

2.6.2 Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and it is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.6.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank balances that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

At each year end, the management reassessed the estimated useful lives of various items of property and equipment. The estimated useful lives for the current and comparative periods of significant items of property, plant and equipment are as follows:

Leasehold Improvements	5-20 years
Computers	2-15 years
Office Equipment	5-10 years
Furniture and Fittings	5 years
Signage	5 years
Motor Vehicles	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 PROVISIONS

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.9.1 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2.10 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.1 Financial assets (cont'd)

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'fair value through other comprehensive income' (FVTOCI) and 'amortised cost'. The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

(i) Financial assets at amortised cost or at FVTOCI

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding ("SPPI").

For the purpose of the SPPI test, principal is the fair value of the financial asset at initial recognition. The principal amount may change over the life of the financial assets (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risk or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodities prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business model for managing financial assets is fundamental to the classification of a financial asset. The Company determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.1 Financial assets (cont'd)

(i) Financial assets at amortised cost or at FVTOCI (cont'd)

The Company has more than one business model for managing its financial instruments which reflect how the Company manages its financial assets in order to generate cash flows. The Company's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Company considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Company does not reasonably expect to occur, such as so-called 'worse case' or 'stress case' scenarios. The Company takes into consideration all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed.

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Company has not identified a change in its business models.

When a financial asset that is not an equity investment measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit and loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit and loss but transferred within equity.

Financial assets that are subsequently measured at amortised cost or FVTOCI are subject to impairment.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.1 Financial assets (cont'd)

(ii) Reclassifications

If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Company's financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on *Modification and derecognition of financial assets* described below.

(iii) Impairment of financial assets

The Company recognised loss allowances for Expected Credit Losses ("ECLs") on Loans and Advances that are not measured at FVTPL.

No impairment loss is recognised on equity investments.

With the exception of POCI financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date (referred to as Stage 1); or
- Full lifetime ECL i.e. lifetime ECL that result from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risks on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in Note 2.10.1(vii).

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.1 Financial assets (cont'd)

(iii) Impairment of financial assets (cont'd)

The Company measure ECL on a collective basis for Hire Purchase portfolios that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR regardless of whether it is measured on an individual basis or a collective basis.

For other financial assets that are carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and advances, where the carrying amount is reduced through the use of an allowance account. When loans and advances are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iv) Credit-impaired financial assets

A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets which are past due more than 90 days. Evidence of credit-impairment includes observable data about the following events:

- a non-payment of any principal or interest of loan when due;
- the Company, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the Company would not otherwise consider; and
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.1 Financial assets (cont'd)

(iv) Credit-impaired financial assets (cont'd)

It may not be possible to identify a single discrete event – instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assess whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired or significant increase in credit risk, the Company considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding etc.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession, the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a back-stop if amounts are overdue for more than 90 days.

(v) Purchased or originated credit-impaired ("POCI") financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For those assets, the Company recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates an impairment gain.

(vi) Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see below).

The Company considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Company; or
- the borrower is unlikely to pay its credit obligations to the Company in full.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.1 Financial assets (cont'd)

(vi) Definition of default (cont'd)

When assessing if the borrower is unlikely to pay its credit obligation, the Company takes into account both qualitative and quantitative indicators as highlighted in Note 2.10.1(iv) above. The definition is applied consistently period to period, and reviewed to ensure accurate reflection of what constitutes a default in the current economic environment.

The Company has refreshed its list of Unlikely to Pay ("UTP") criteria to reflect the current UTP indicators that are evident from borrowers' non payment behaviour in the current economic environment. Additionally, where an increasing amount of balances may be subject to longer 'days past due' ("dpd"), the Company exercises care in applying the 90 dpd rebuttable presumption, especially where principal payment holidays are introduced, during which borrowers are permitted to defer certain payments, where such payments are no longer past due.

(vii) Significant increase in credit risk

The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12-month ECL. The Company's accounting policy is not to use the practical expedient that financial assets with "low" credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Company monitors all financial assets that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated when the financial instrument was first recognised. In making this assessment, the Company considers both qualitative and quantitative information that is reasonable and supportable including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Company's borrowers operate, obtained from economic expert reports on future outlook, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.1 Financial assets (cont'd)

(viii) Significant increase in credit risk (cont'd)

As a back-stop when an asset is more than 30 days past due, the Company considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. However, there may be cases where the Company expects a low correlation of lifetime default risks with the 30 days past due rebuttable presumption indicator. For example, where a principal payment holiday is granted to an entire class of financial instruments, either by the Company or a government, the 'blanket' nature of the principal holiday does not discriminate between borrowers and therefore does not provide relevant information to staging at the individual exposure level.

In determining indicators of 'significant increase in credit risk' ("SICR"), the Company assesses affected exposures for other indicators of significant increases in lifetime default risks at the end of the reporting period. In the absence of detailed information from borrowers during the principal payment holiday and their broader financial circumstances, alternative assessments are made from a combination of the following factors:

- distinguishing whether a borrower or borrower group is only experiencing short-term liquidity difficulties and those difficulties will be mitigated by the principal payment holiday, perhaps in conjunction with other government reliefs that reduce the risk of default, from others whom the Company does not believe that are experiencing only short-term liquidity difficulties, for example where they are in a sector likely to suffer longer-term difficulties, they will not benefit from government reliefs or reliefs will not reduce their risk of default;
- identifying additional data, or more granularity on existing data, to facilitate the determination of riskier customers. Examples of sources to such data include adverse news available on the public domain, and recent experiences applicable to borrowers of the same demographic profile.

(ix) Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction of adjustment of existing covenants or an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.1 Financial assets (cont'd)

(ix) Modification and derecognition of financial assets (cont'd)

The Company renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment) and amendments to covenants. The Company has an established forbearance policy which applies for corporate and retail lending.

When a financial asset is modified, the Company assesses whether this modification results in derecognition. In accordance with the Company's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified term are substantially different from the original contractual term, the Company considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extend of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest rate. If the difference in present value is greater than 10%, the Company deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Company considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognised, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised paramount because there remains a high risk of default which has not been reduced by the modification.

The Company monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.1 Financial assets (cont'd)

(ix) Modification and derecognition of financial assets (cont'd)

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Company determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual term; with
- the remaining lifetime PD at the reporting date based on the modified terms.

The financial assets modified as part of the Company's forbearance policy, where modification did not result in derecognition, the estimate PD reflects the Company's ability to collect the modified cash flows taking into account the Company's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of credit impairment, the Company performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition, the Company calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Company measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire (including expiry arising from a modification with substantially different terms), or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.1 Financial assets (cont'd)

(ix) Modification and derecognition of financial assets (cont'd)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss.

A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(x) Write off

Loans and advances are written off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. A write off constitutes a derecognition event. The Company may apply enforcement activities to financial assets written off. Recoveries resulting from the Company's enforcement activities will result in impairment gains, which will be presented in 'Impairment Losses for Loans' in the statement of profit or loss.

(xi) Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.2 Financial liabilities and equity instruments classifications

(i) Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the entity are recognised at the proceeds received, net of direct issue costs.

2.10.3 Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or/as other financial liabilities. For all financial liabilities, the amounts presented on the statement of financial position represent all amounts payable including interest accruals.

(i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.3 Financial liabilities (cont'd)

(i) Financial liabilities at FVTPL (cont'd)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'net gain/(loss) from Other Financial Instruments at Fair Value through Profit or Loss' line item. Fair value is determined in the manner described in Note 4.2.

(ii) Other financial liabilities

Other financial liabilities (including borrowings and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of EIR, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(iii) Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.11 EMPLOYEE BENEFITS

2.11.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which related services are rendered.

The Company contributes to the Tabung Amanah Pekerja ("TAP") and Supplementary Contributory Pension ("SCP") schemes. These are the defined contribution plans regulated and managed by the Government of Brunei Darussalam, which applies to all local employees.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11.2 Short and long-term employee benefits

Short-term employees benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under salary and wages or accumulated paid absence if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimate reliably.

Provisions for end of service benefits are made periodically based on the entitlements of the employees. The provisions for end of service benefits are calculated on the basis of the number of years serviced by the employees and are charged to profit or loss in the period in which the entitlement arise.

2.12 STANDARDS ISSUED BUT NOT YET EFFECTIVE

As at January 1, 2022, the Company adopted all new and revised IFRS Standards, and interpretation of IFRS Standards that are effective from the date and are relevant to its operations. The adoption of these new/revised IFRS Standards does not result in changes to the Company's accounting policies and has no material effect on the amounts reported for the current period or prior years.

The following accounting standards have been issued by the IASB but are not yet effective for the Company and earlier application is permitted; however, the Company has not early applied the following accounting standards in preparing these financial statements.

Accounting standards	Summary of the requirements	Possible impact on financial statements
Amendments to IAS 1 *Presentation of Financial Statements– Classification of Liabilities as Current or Non-current*	The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.	The Company does not expect that the adoption of Amendments to IAS 1 will have a material impact on the financial statements in future periods.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont'd)

Accounting standards	Summary of the requirements	Possible impact on financial statements
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements—Disclosure of Accounting Policies*	The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.	The Company does not expect that the adoption of Amendments to IAS 1 and IFRS Practice Statement 2 will have a material impact on the financial statements in future periods.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont'd)

Accounting standards	Summary of the requirements	Possible impact on financial statements
Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors— Definition of Accounting Estimates*	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications: • A change in accounting estimate that results from new information or new developments is not the correction of an error • The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.	The Company does not expect that the adoption of Amendments to IAS 8 will have a material impact on the financial statements in future periods.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont'd)

<table>
<tr><th>Accounting standards</th><th>Summary of the requirements</th><th>Possible impact on financial statements</th></tr>
<tr><td>Amendments to IAS 12 Income Taxes — Deferred Tax related to Assets and Liabilities arising from a Single Transaction</td><td>The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:
• A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
- Right-of-use assets and lease liabilities
- Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
• The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.</td><td>The Company does not expect that the adoption of Amendments to IAS 12 will have a material impact on the financial statements in future periods.</td></tr>
</table>

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 2, the management of the Company is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the management has made in the process of applying the Company's accounting policies and that have the most significant effect to the amounts recognised in the financial statements:

Calculation of ECL allowances

- Significant increase of credit risk: As explained in Note 2, ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk on an asset has significantly increase, the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change, there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

3.1 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (cont'd)

- Models and assumptions used: The Company uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Note 2.10 Financial Instruments and Note 4.4 Financial Risk Management Objectives for more details on ECL.

The following are key estimations that the management have used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario: When measuring ECL, the Company uses reasonable and supportable forward looking information which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 4.4 for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward-looking information.

- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from accepted collateral by the Company. The calculation is on a discounted cash flow basis where the cash flows are discounted by the original EIR of the loan.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES

4.1 CAPITAL MANAGEMENT

The Company's regulator, Brunei Darussalam Central Bank ("BDCB") sets and monitors capital requirements for the Company.

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.1 CAPITAL MANAGEMENT (cont'd)

security afforded by a sound capital position. The Company's overall strategy remains unchanged from previous financial year.

The capital structure of the Company consists of equity of the Company (comprising issued capital, reserves and retained earnings).

The Company has complied with all imposed capital requirements for the financial years ended December 31, 2022 and 2021. Management monitors capital based on "capital funds" as defined under the Finance Companies Act, Chapter 89.

4.2 FAIR VALUE MEASUREMENTS

Fair value of financial instruments

Where possible, fair values have been estimated using market prices for financial instruments. Where market prices are not available, fair values have been estimated using quoted prices for financial instruments with similar characteristics, or otherwise using a suitable valuation technique where practicable to do so. The fair value information presented represents the Company's best estimate of those values and may be subject to certain assumptions and limitations.

Methodologies

The methodologies and assumptions used in estimating fair values depend on the terms and risk characteristics of the various instruments and include the following:

Financial instruments for which the carrying value approximates fair value

These include cash and balances with BDCB, deposits from customers which reprice generally within six months of the reporting date, and accrued interest receivable and payable. The carrying value of these financial instruments is an approximation of the fair value because they are either short-term in nature, reprice frequently or are receivable or payable on demand and do not have significant credit risk.

Loans and Advances

For loans and advances which mature or reprice after six months, the fair value is principally estimated by discounting anticipated cash flows (including interest at contractual rates). Performing loans are grouped, to the extent possible, into homogenous pools segregated by maturity and the coupon rates of the loans within each pool. In general, cash flows are discounted using current market rates for instruments with similar maturity, repricing and credit risk characteristics.

For non-performing loans and advances where collateral exists, the fair value is the lesser of the carrying value of the loans and advances, net of specific allowances, or the fair value of the collateral, discounted as appropriate.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.2 FAIR VALUE MEASUREMENTS (cont'd)

Deposits from Customers

Deposits from Customers which mature or reprice after six months from the reporting date are grouped by residual maturity. The fair value is calculated using discounted cash flow models, based on the deposit type and its related maturity, applying either market rates, where applicable or current rates offered for deposits of similar remaining maturities.

Summary

Management considers that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements to approximate their respective fair value. Accordingly, the Company has not disclosed the fair value and their levels in the fair value hierarchy for financial assets and financial liabilities at amortised cost.

4.3 CATEGORIES OF FINANCIAL INSTRUMENTS

	2022		2021	
	At Amortised Cost B$'000	Carrying Amount B$'000	At Amortised Cost B$'000	Carrying Amount B$'000
Financial Assets				
Cash and Balances with Bank	217,272	217,272	355,796	355,796
Balances with BDCB	60,736	60,736	66,250	66,250
Loans and Advances	831,394	831,394	818,234	818,234
Other Assets	32,124	32,124	31,902	31,902
Total Financial Assets	**1,141,526**	**1,141,526**	**1,272,182**	**1,272,182**
Financial Liabilities				
Deposits from Customers	958,269	958,269	1,095,553	1,095,553
Lease Liabilities	870	870	1,205	1,205
Other Liabilities	5,919	5,919	7,155	7,155
Total Financial Liabilities	**965,058**	**965,058**	**1,103,913**	**1,103,913**

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company has exposure to the following risks from financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

Risk management framework

The Company's Board of Directors has appointed the Risk Management Committee ("RMC") to fulfil its oversight responsibilities of the Company's risk management framework. The Company's risk management framework seeks to ensure that strategies, policies, processes and procedures are in place to identify, assess, measure, manage and monitor its material financial, operational and other risk exposures.

Baiduri Finance Audit Committee ("BFAC") provides the Board of Directors independent assurance over the Company's governance, risk management and internal control practices.

The Board delegates to the Executive Committee ("EXCO") authority to approve limits related to credit and treasury activities, including policies to govern the management of credit, liquidity and market risks.

The Company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BFAC and RMC oversee senior management's compliance with the Company's risk management policies and procedures, as well as review the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company's risk management framework adopts the principle of "Three Lines of Defence".

The first line of defence – business line management including support functions – is directly responsible for identifying and managing day-to-day risks inherent in its activities. The second line of defence is provided by the Group Risk Department which oversees the effectiveness and integrity of the Company's risk management framework and assists the RMC in its risk oversight responsibilities. The third line of defence involves the Internal Audit function to provide independent assurance to the BFAC on the effectiveness and quality of governance, risk management and internal control processes.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Credit risk

Credit risk is the risk of financial losses to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposures (such as individual obligor default risk and sector risk).

The Board delegates responsibility to the RMC to oversee the management of credit risk, while the EXCO approves major prudential policies and limits that govern large customer exposures and industry concentration.

The EXCO appoints the company's Credit Committee who would work with the business lines to ensure that approved policies are applied appropriately and optimal returns on the Company's risk exposure are being achieved.

The Company takes a prudent view when granting credits. All credit exposures in the group are individually assessed and approved within the internal credit and lending policies, and in compliance with the local regulatory guidelines. In respect of its lending-related activities, management regularly reviews the amount of risk accepted in relation to one borrower or groups of borrowers, the industry segments, the risks of non-performing loans and the adequacy of provisioning. The Company does not endorse providing credit facilities in support of illegal activities, prohibited or unlicensed businesses, or any other activities deemed to pose unacceptable environment, ethical, social or reputational risk to the Company and the wider community.

The Company recognises credit risk mitigation by obtaining collateral however such collateral does not act as a substitute in the credit granting process. Some of the assets typically included as collateral are assignment of contract payments, salaries and deposit placements.

The Company uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Company uses external and internal information to generate a "base-case", "upside" and "downside" scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Credit risk (cont'd)

The Company applies probabilities to the forecast scenarios identified. The Company performed a sensitivity analysis on how ECL on the main portfolios will change if the key assumption to the downside weight to the weighted ECL increased by 10%. The total weighted ECL should then be increased by B$268,449 (2021: B$241,000) based on the above assumption.

Measurement of ECL
The key inputs used for measurement ECL are:
- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD")

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability weighted forward looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical models and assessed internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from accepted collateral by the Company. The calculation is on a discounted cash flow basis where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date including repayments of principal and interest.

The Company measures ECL considering the risk of default over the maximum contractual period over which the entity is exposed to credit risk. The measurement of ECL is based on probabilities weighted average credit loss.

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include instruments type, collateral type and industry. The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Credit risk (cont'd)

Credit Quality

The Company monitors credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial statement line item.

Class of Financial Instrument	Financial Statement line
Loans and Advances at amortised cost	Loans and Advances

The Company classified its Loans and Advances by the following internal risk category as described below:

Loans and Advances Classification	Definition
Pass	Borrowers in this category are those do not have greater than normal credit risk.
Special Mention	Borrowers in this category are those have an early sign of financial difficult.
Substandard-Under Performing	Borrowers in this category are those have well defined weakness in profitability, cashflow and /or operations that may jeopardise repayment in full but are not more than 90 days past due.
Substandard-Non-Performing	Borrowers in this category are those have well defined weakness in profitability, cashflow and /or operations that may jeopardise repayment in full and are more than 90 days past due.
Doubtful	Borrowers in this category are those exhibit more severe weaknesses that those classified under substandard and are more than 180 days past due but less than 1 year.
Loss	Borrowers in this category are those with past due status exceed the above categories.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Credit risk (cont'd)

Credit Quality Analysis

The table below sets out the credit quality of the Company's loans and advances according to the above classification.

	December 31, 2022				
	Stage 1 12-month ECL B$'000	Stage 2 Lifetime ECL B$'000	Stage 3 Lifetime ECL B$'000	POCI B$'000	Total B$'000
Pass	773,232	-	-	-	**773,232**
Special Mention	-	15,796	-	-	**15,796**
Substandard-Under-Performing	-	56,116	-	-	**56,116**
Substandard-Non-Performing	-	-	3,706	9	**3,715**
Doubtful	-	-	242	-	**242**
Loss	-	-	170	-	**170**
Total gross carrying amount	**773,232**	**71,912**	**4,118**	**9**	**849,271**
Loss allowances	**(6,066)**	**(10,106)**	**(1,703)**	**(2)**	**(17,877)**
Net carrying amount	**767,166**	**61,806**	**2,415**	**7**	**831,394**

	December 31, 2021				
	Stage 1 12-month ECL B$'000	Stage 2 Lifetime ECL B$'000	Stage 3 Lifetime ECL B$'000	POCI B$'000	Total B$'000
Pass	770,206	-	-	-	**770,206**
Special Mention	-	11,782	-	-	**11,782**
Substandard-Under-Performing	-	47,071	-	-	**47,071**
Substandard-Non-Performing	-	-	6,020	21	**6,041**
Doubtful	-	-	1,509	-	**1,509**
Loss	-	-	1,409	-	**1,409**
Total gross carrying amount	**770,206**	**58,853**	**8,938**	**21**	**838,018**
Loss allowances	**(6,593)**	**(9,401)**	**(3,784)**	**(6)**	**(19,784)**
Net carrying amount	**763,613**	**49,452**	**5,154**	**15**	**818,234**

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Credit risk (cont'd)

Concentration of credit risk

The Company monitors concentrations of credit risk by type of borrower. An analysis of concentrations of credit risk from loans and advances is shown below.

	Loans and Advances	
	2022 B$'000	2021 B$'000
Transportation		
- Individual	803,793	791,662
- Corporate	45,478	46,356
Total	849,271	838,018

Non-performing loans and advances

The Company regards a loan and advance as impaired if it is in arrears for more than 3 months or if there is objective evidence of impairment.

	Total Credit Exposure		Non-Performing Loans		%	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	B$'000	**B$'000**	**B$'000**	**B$'000**	%	%
Transportation						
- Individual	803,793	791,662	3,215	8,264	0.40%	1.04%
- Corporate	45,478	46,356	912	695	2.01%	1.50%
Total	**849,271**	**838,018**	**4,127**	**8,959**		

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Credit risk (cont'd)

The table below sets out a reconciliation of changes in the carrying amount of loans and advances.

	December 31, 2022				
	Stage 1 12-month ECL B$'000	**Stage 2 Lifetime ECL B$'000**	**Stage 3 Lifetime ECL B$'000**	**POCI B$'000**	**Total B$'000**
Non past due (0-30 days)	773,232	12,868	2,078	-	788,178
Month-in-arrear 1 (31-60 days)	-	54,334	883	9	55,226
Month- in- arrear 2 (60-90 days)	-	4,710	120	-	4,830
Month- in-arrear 3 and above (90 days and above)	-	-	1,037	-	1,037
Total gross carrying amount	**773,232**	**71,912**	**4,118**	**9**	**849,271**
Loss allowances	**(6,066)**	**(10,106)**	**(1,703)**	**(2)**	**(17,877)**
Net carrying amount	**767,166**	**61,806**	**2,415**	**7**	**831,394**

	December 31, 2021				
	Stage 1 12-month ECL B$'000	**Stage 2 Lifetime ECL B$'000**	**Stage 3 Lifetime ECL B$'000**	**POCI B$'000**	**Total B$'000**
Non past due (0-30 days)	770,206	10,220	2,527	8	782,961
Month-in-arrear 1 (31-60 days)	-	43,264	1,344	13	44,621
Month- in- arrear 2 (60-90 days)	-	5,369	978	-	6,347
Month- in-arrear 3 and above (90 days and above)	-	-	4,089	-	4,089
Total gross carrying amount	770,206	58,853	8,938	21	838,018
Loss allowances	(6,593)	(9,401)	(3,784)	(6)	(19,784)
Net carrying Amount	763,613	**49,452**	5,154	15	818,234

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Credit risk (cont'd)

The table below sets out a reconciliation of changes in the carrying amount of loans and advances.

Loans and Advances at amortised cost	Stage 1 12-month ECL B$'000	Stage 2 Lifetime ECL B$'000	Stage 3 lifetime ECL B$'000	POCI B$'000	Total B$'000
Gross carrying amount as at January 1, 2022	**770,206**	**58,853**	**8,938**	**21**	**838,018**
Change in the gross carrying amount					
- Transfer to stage 1	22,353	(20,704)	(1,649)	-	
- Transfer to stage 2	(47,104)	49,224	(2,120)	-	
- Transfer to stage 3	(1,960)	(1,975)	3,935	-	
- Decrease during the year	(141,096)	(15,460)	(1,239)	(5)	(157,800)
New financial assets originated or purchased	234,576	11,163	588	-	246,327
Financial assets that have been derecognised	(60,663)	(4,917)	(319)	(7)	(65,906)
Write offs	(3,080)	(4,272)	(4,016)	-	(11,368)
Gross carrying amount as at December 31, 2022	**773,232**	**71,912**	**4,118**	**9**	**849,271**
Loss allowances as at December 31, 2022	**6,066**	**10,106**	**1,703**	**2**	**17,877**

Loans and Advances at amortised cost	Stage 1 12-month ECL B$'000	Stage 2 Lifetime ECL B$'000	Stage 3 lifetime ECL B$'000	POCI B$'000	Total B$'000
Gross carrying amount as at January 1, 2021	**722,733**	**81,240**	**16,789**	**66**	**820,828**
Change in the gross carrying amount					
- Transfer to stage 1	43,402	(39,684)	(3,718)	-	-
- Transfer to stage 2	(27,965)	32,224	(4,259)	-	-
- Transfer to stage 3	(2,890)	(4,168)	7,058	-	-
- Decrease during the year	(140,422)	(12,394)	(2,051)	(9)	**(154,876)**
New financial assets originated or purchased	237,134	11,810	1,249	-	**250,193**
Financial assets that have been derecognised	(57,497)	(5,617)	(681)	(1)	**(63,796)**
Write offs	(4,289)	(4,558)	(5,449)	(35)	**(14,331)**
Gross carrying amount as at December 31, 2021	770,206	58,853	8,938	21	838,018
Loss allowances as at December 31, 2021	**(6,593)**	**(9,401)**	**(3,784)**	**(6)**	**(19,784)**

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Credit risk (cont'd)

The table below sets out a reconciliation of changes in the loss allowances of loans and advances.

Loss allowances – Loans and Advances	Stage 1 12-month ECL B$'000	Stage 2 Lifetime ECL B$'000	Stage 3 lifetime ECL B$'000	POCI B$'000	Total B$'000
Loss allowances as at January 1, 2022	**6,593**	**9,401**	**3,784**	**6**	**19,784**
Write offs	-	-	(6,549)	-	**(6,549)**
Increase/ (Decrease) in allowances recognised in Profit or Loss					
Change in Loss allowances					
- Transfer to stage 1	3,724	(3,133)	(591)	-	-
- Transfer to stage 2	(898)	1,649	(751)	-	-
- Transfer to stage 3	(50)	(422)	472	-	-
- Increase/ (Decrease) due to change in credit risk	(4,390)	1,572	5,224	(2)	**2,404**
New financial assets originated or purchased	1,556	1,731	225	-	**3,512**
Financial assets that have been derecognised	(469)	(692)	(111)	(2)	**(1,274)**
Loss allowances as at December 31, 2022	**6,066**	**10,106**	**1,703**	**2**	**17,877**

Loss allowances – Loans and Advances	Stage 1 12-month ECL B$'000	Stage 2 Lifetime ECL B$'000	Stage 3 lifetime ECL B$'000	POCI B$'000	Total B$'000
Loss allowances as at January 1, 2021	4,331	8,658	6,297	23	**19,309**
Write offs	(71)	-	(7,919)	(34)	**(8,024)**
Increase/ (Decrease) in allowances recognised in Profit or Loss					
Change in Loss allowances					
- Transfer to stage 1	5,473	(4,150)	(1,323)	-	-
- Transfer to stage 2	(278)	1,794	(1,516)	-	-
- Transfer to stage 3	(27)	(496)	523	-	-
- Increase/ (Decrease) due to change in credit risk	(4,316)	2,119	7,399	17	**5,219**
New financial assets originated or purchased	1,802	1,937	547	-	**4,286**
Financial assets that have been derecognised	(321)	(461)	(224)	-	**(1,006)**
Loss allowances as at December 31, 2021	6,593	9,401	3,784	6	19,784

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Credit risk (cont'd)

Loans with renegotiated terms and the Company's forbearance practice

When there is deterioration in the borrower's financial position, loans may be restructured with renegotiated terms where the Company has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Company has provided initially. The Company implements forbearance practice in order to maximise collection opportunities and minimise the risk of default. Under the Company's forbearance practise, loan forbearance is granted on a selective basis in situations where the debtor is currently in default on its debt, or where there is a high risk of default.

The revised terms usually include extending maturity, changing timing of interest payments and amendments to the terms of loan covenants.

Both individual and corporate loans are subject to the forbearance practise.

As at December 31, the total amount of renegotiated loans and advances $2,841,000 (2021: B$2,578,000) for the Company.

Write-off policy

The Company writes off a loan and advances balance, and any related allowances for impairment losses, when the Company's management determines that the loan or security is uncollectible, and all necessary actions have been taken. This determination is made after considering information such as the borrower's latest financial position and chances of its ability to settle the obligation, the legal status, and /or proceeds from other collateral is minimum and will not be sufficient to pay back the entire exposure. Such proposal is proposed by the Credit Services department and approved by the Management.

The Company's credit policy is in compliance with the Brunei Darussalam Central Bank's regulations and the laws of Brunei Darussalam.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Credit risk (cont'd)

Collateral held as security and of other credit enhancements, and their financial effect

The Company holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

Type of Credit Exposure	Principal Type of Collateral Held for Secured Lending	Loans and Advances B$'000	Financial Effect of Collateral Held B$'000	Net exposure from Loans and Advances B$'000
2022				
Loans and Advances				
- Individual	Motor Vehicle	803,793	716,275	87,518
- Corporate	Motor Vehicle	45,478	43,502	1,976
Total		**849,271**	**759,777**	**89,494**
2021				
Loans and Advances				
- Individual	Motor Vehicle	791,662	706,438	85,224
- Corporate	Motor Vehicle	46,356	44,210	2,146
Total		**838,018**	**750,648**	**87,370**

Cash and cash equivalents

The Company held cash and cash equivalents of B$38,224,000 at December 31, 2022 (2021: B$52,632,000). Most of cash and cash equivalents, except deposits with the BDCB, are held with bank and financial institution counterparties which are rated at least with an investment grade.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial assets.

Management of liquidity risk

The Company's RMC sets the Company's strategy for managing liquidity risk and has the responsibility for the oversight of the implementation of this policy. The Company has also established an Asset and Liability Committee ("ALCO") to manage the Company's overall balance sheet including monitoring its liquidity position. Finance and Operation department manages the Company's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of the Company. A summary report, including any exceptions and remedial action taken, is submitted regularly to the ALCO.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Liquidity risk (cont'd)

Management of liquidity risk (cont'd)

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The key elements of the Company's liquidity strategy are as follows:
- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities with other banks;
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity; and
- Monitoring liquidity ratios, maturity mismatches behavioural characteristics of the Company's financial assets and liabilities.

Finance and Operation receives information from other business units and reports from the system regarding the liquidity profile of financial assets and liabilities and details of other projected cash flows arising from projected future businesses. Finance and Operation maintains a portfolio of short-term liquid assets, largely made up of short-term deposits to ensure that sufficient liquidity is maintained within the Company. The liquidity requirements of business units are centrally managed by the Finance and Operation department to cover any short-term fluctuations and longer-term funding requirements.

Finance and Operation department monitor compliance with local regulatory limits on a daily basis.

Exposure to liquidity risk

The key measure used by the Company for managing liquidity risk is the ratio of liquid assets to deposits from customers and short-term liabilities. For this purpose, liquid assets are considered as cash and cash equivalents and bank placements.

A similar, but not identical, calculation is used to measure the Company's compliance with the minimum cash balance requirements established by the regulator, BDCB in accordance with Section 25 (2) of the Finance Companies Act, Chapter 89.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Liquidity risk (cont'd)

Maturity analysis for financial assets and liabilities

The tables below set out the remaining contractual maturities of the Company's non-derivative financial assets and financial liabilities.

	Carrying Amount	Gross Nominal Inflow/ (Outflow)	Less than 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
2022								
Non-Derivative Assets								
Cash in hand	2,287	2,287	2,287	-	-	-	-	-
Balances with BDCB	60,736	60,736	11,314	5,359	11,906	32,157	-	-
Money at call, term deposits with Bank (short term funds)	214,985	216,114	164,789	-	51,325	-	-	-
Loans and Advances	831,394	972,034	63,195	61,362	117,079	404,850	251,860	73,688
Other Assets	32,124	32,124	32,124	-	-	-	-	-
Total	1,141,526	1,283,295	273,709	66,721	180,310	437,007	251,860	73,688
Non-Derivative Liabilities								
Deposits from Customers	(958,269)	(961,268)	(179,865)	(85,332)	(184,291)	(511,780)	-	-
Lease Liabilities	(870)	(870)	(145)	(147)	(259)	(242)	(77)	-
Other Liabilities	(5,919)	(5,919)	(5,919)	-	-	-	-	-
Total	(965,058)	(968,057)	(185,929)	(85,479)	(184,550)	(512,022)	(77)	-
Net Liquidity Gap	**176,468**	**315,238**	**87,780**	**(18,758)**	**(4,240)**	**(75,015)**	**251,783**	73,688

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Liquidity risk (cont'd)

Maturity analysis for financial assets and liabilities (cont'd)

	Carrying Amount	Gross Nominal Inflow/ (Outflow)	Less than 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
2021								
Non-Derivative Assets								
Cash in hand	1,474	1,474	1,474	-	-	-	-	-
Balances with BDCB	66,250	66,250	11,872	6,068	13.910	34,400	-	-
Money at call, term deposits with Bank (short term funds)	354,322	354,666	196,575	42,119	115,972	-	-	-
Loans and Advances	818,234	975,443	62,714	60,896	116,623	403,835	256,879	74,496
Other Assets	31,903	31,903	31,903	-	-	-	-	-
Total	1,272,183	1,429,736	304,538	109,083	246,505	438,235	256,879	74,496
Non-Derivative Liabilities								
Deposits from Customers	(1,095,553)	(1,099,216)	(199,874)	(98,355)	(222,429)	(578,558)	-	-
Lease Liabilities	(1,205)	(1,205)	(140)	(142)	(279)	(630)	(14)	-
Other Liabilities	(7,155)	(7,155)	(7,155)	-	-	-	-	-
Total	(1,103,913)	(1,107,576)	(207,169)	(98,497)	(222,708)	(579,188)	(14)	-
Net Liquidity Gap	**168,270**	**322,160**	**97,369**	**10,586**	**23,797**	**(140,953)**	**256,865**	74,496

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Liquidity risk (cont'd)

The above tables show the undiscounted cash flows on the Company's non-derivative financial assets and financial liabilities.

The gross nominal inflows / (outflows) disclosed in the previous table represent the contractual undiscounted cash flows relating to non-derivative financial assets and liabilities held for risk management purposes.

As part of the management of its liquidity risk arising from financial liabilities, the Company holds liquid assets comprising cash and cash equivalents and deposits for which there is an active and liquid market so that they can be readily withdrawn to meet liquidity requirements. In addition, the Company maintains agreed lines of credit with banks.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates that will affect the value of its holdings of financial instruments. The objective of the company's market risk management is to manage and control market risk exposures within acceptable parameters in order to ensure the Company's solvency while optimising the return on risk.

Management of market risk

Overall authority for market risk is vested in the Management Committee. Management may set up limits for each type of risk in aggregate and for portfolios and is responsible for the day-to-day review of their implementation.

The Company monitors and limits market risk exposures through weekly management meetings.

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed to is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps by the management and it is assisted by the Operation department in its day-to-day monitoring activities. A summary of the Company's interest rate bearing assets and liabilities position on the non-trading portfolios is as follows:

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Market risk (cont'd)

Exposure to interest rate risk

	Carrying Amount	Non-Interest Bearing	Interest Bearing					
			Less than 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
2022								
Non-Derivative Assets								
Cash in hand	2,287	2,287	-	-	-	-	-	-
Balances with BDCB	60,736	60,736	-	-	-	-	-	-
Money at call, term deposits with Bank (short term funds)	214,985	-	164,742	-	50,243	-	-	-
Loans and Advances	831,394	-	54,184	43,309	107,186	352,640	209,884	64,191
Other Assets	32,124	32,124	-	-	-	-	-	-
Total	1,141,526	95,147	218,926	43,309	157,429	352,640	209,884	64,191
Non-Derivative Liabilities								
Deposits from Customers	(958,269)	-	(179,469)	(85,011)	(183,720)	(510,069)	-	-
Lease Liabilities	(870)	-	(145)	(147)	(259)	(242)	(77)	-
Other Liabilities	(5,919)	(5,919)	-	-	-	-	-	-
Total	(965,058)	(5,919)	(179,614)	(85,158)	(183,979)	(510,311)	(77)	-

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Market risk (cont'd)

Exposure to interest rate risk (cont'd)

	Carrying Amount	Non-Interest Bearing	Interest Bearing					
			Less than 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
2021								
Non-Derivative Assets								
Cash in hand	1,474	1,474	-	-	-	-	-	-
Balances with BDCB	66,250	66,250	-	-	-	-	-	-
Money at call, term deposits with Bank (short term funds)	354,322	-	196,553	42,086	115,682	-	-	-
Loans and Advances, as restated	818,234	-	52,385	40,997	105,469	346,011	209,985	63,387
Other Assets	31,903	31,903	-	-	-	-	-	-
Total	**1,272,183**	**99,627**	**248,938**	**83,083**	**221,151**	**346,011**	**209,985**	**63,387**
Non-Derivative Liabilities								
Deposits from Customers	(1,095,553)	-	(199,390)	(97,963)	(221,732)	(576,468)	-	-
Lease Liabilities	(1,205)	-	(140)	(142)	(279)	(630)	(14)	-
Other Liabilities	(7,155)	(7,155)	-	-	-	-	-	-
Total	**(1,103,913)**	**(7,155)**	**(199,530)**	**(98,105)**	**(222,011)**	**(577,098)**	**(14)**	-

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Market risk (cont'd)

The management of interest rate risk is supplemented by monitoring the sensitivity of the Company's financial assets and liabilities to various interest rate scenarios. Scenarios that are considered on a monthly basis include a 10-basis point ("bp") parallel fall or rise in all yield curves.

Interest rate movements affect reported retained earnings due to increases or decreases in net interest income and the fair value changes reported in profit or loss.

If interest rates had been 10 basis points higher and all other variables were held constant, the Company's projected net interest income for the financial year ended December 31, 2022 would increase by B$243,000 (2021: B$231,000). There would be an opposite impact if interest rates had been 10 basis points lower.

Overall non-trading interest rate risk positions are managed by Finance and Operation department which uses advance from bank and deposits with bank to manage the overall position arising from the Company's activities.

Operational risk

Operational risk is the risk to achieving the Company's strategic objectives as a result of inadequate or failed internal processes, people and systems, or from external events. Operational risk is inherent to every aspect of our business. The Company's objective is to manage its operational risk at appropriate levels, considering the markets we operate in, capital and liquidity adequacy, as well as economic conditions and the regulatory environment.

The Board is ultimately responsible for all aspects of operational risk management. The Board delegates these responsibilities to the RMC to oversee the management of operational risks.

The Company's operational risk management framework sets out to identify, assess, control, mitigate, report and monitor operational risk.

Senior management is overall responsible for implementing the operational risk management framework, its associated policies and procedures, to anticipate and mitigate operational risk for the Company.

The Three Lines of Defence approach is applied to operational risk management.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Operational risk (cont'd)

The first line of defence – business line management including support functions – is directly responsible for identifying and managing day-to-day operational risks. The second line of defence is provided by the Group Risk Department where it coordinates, facilitates and oversees the effectiveness and integrity of the Company's operational risk management framework. The third line of defence involves the Internal Audit function to provide independent assurance to the Board and senior management on the effectiveness and quality of governance, risk management and internal control processes.

The Company employs the Basic Indicator Approach to compute operational risk capital.

5 INTEREST INCOME

	2022 B$'000	2021 B$'000
Hire Purchases	53,432	55,144
Bank Deposits	1,033	973
Total Interest Income	**54,465**	**56,117**

6 INTEREST EXPENSE

	2022 B$'000	2021 B$'000
Deposits from Customers	**1,725**	**2,673**

7 OTHER OPERATING INCOME

	2022 B$'000	2021 B$'000
Late Charges and Other Hire Purchase Fees	2,745	2,859
(Loss) on Disposal of Property, Plant and Equipment	-	(1)
Total	**2,745**	**2,858**

8 PERSONNEL EXPENSES

	2022 B$'000	2021 B$'000
Salaries and Wages	4,036	3,941
Allowances and Bonuses	1,194	1,195
Employees' Trust Fund Contribution	317	307
Directors' Fees	243	206
Training, Mileage, Medical and Others	138	283
Total	**5,928**	**5,932**

9 OTHER OVERHEAD EXPENSES

	2022 B$'000	2021 B$'000
Dealers' Commission	8,225	8,198
Infrastructure and Network Costs	5,400	5,400
Other Expenses	2,409	2,406
Management Fees	1,800	1,800
Dealers' Incentive	1,659	1,455
Repair and Maintenance	871	898
Depreciation of Right-of-use Assets	564	581
Depreciation of Property, Plant and Equipment	369	275
License Fee	234	210
Advertisement and Publicity	116	149
Legal and Professional Fees	106	54
Expenses relating to Leases of Short-Term Leases	64	64
Interest Expense on Lease Liabilities	49	79
Total	**21,866**	**21,569**

10 INCOME TAX EXPENSE

The income tax varied from the amount of income tax determined by applying the Brunei Darussalam income tax rate of 18.5% (2021: 18.5%) with the applicable threshold to profit before income tax as a result of the following items:

	2022 B$'000	2021 B$'000
Recognised in the Statement of Profit or Loss		
Current Tax Expense		
Current year	**6,215**	**5,534**
Movement in Provision for Taxation		
Opening balance as at January 1	23,853	23,637
Current year provision	6,215	5,534
Income tax paid	(5,867)	(5,318)
Closing balance as at December 31	**24,201**	**23,853**
Reconciliation of Effective Tax Rate at 18.50%		
Profit before Taxation	34,126	29,980
Income tax using the domestic corporation tax rate	6,313	5,546
Tax effect of non-taxable revenue and others	(98)	(12)
Total	**6,215**	**5,534**

11 CASH AND BALANCES WITH BANK

	2022 B$'000	2021 B$'000
Term deposits with Immediate Holding Company with remaining maturity not exceeding one year	179,048	303,164
Bank balances with Immediate Holding Company	35,937	51,158
Cash in hand	2,287	1,474
Total	**217,272**	**355,796**

Included in term deposits with immediate holding company is B$95,826,000 (2021: B$109,509,000) being an amount restricted in use to comply with a directive issued by BDCB in accordance with Section 25 (1) of the Finance Companies Act, Chapter 89.

12 BALANCES WITH BDCB

The cash reserve is maintained in accordance with Section 25 (2) of the Finance Companies Act, Chapter 89. At present, the minimum cash reserve requirement is 6% of the total average deposit liabilities and is non-interest bearing.

13 LOANS AND ADVANCES

	2022 B$'000	2021 B$'000
By Type:		
Term Loans		
- Hire Purchase Receivables	849,271	838,018
Less: Loss Allowances	(17,877)	(19,784)
Net Loans and Advances	**831,394**	**818,234**

	2022 B$'000	2021 B$'000
By Security:		
Secured by:		
- Charge on Motor Vehicles	831,394	818,234
Net Loans and Advances	**831,394**	**818,234**

14 OTHER ASSETS

	2022 B$'000	2021 B$'000
Dealers' Commission and Incentive	30,645	30,265
Deposits and Others	1,479	1,637
Prepayments	51	76
Total	**32,175**	**31,978**

15 RIGHT-OF-USE ASSETS

The Company leases a number of branch and office premises under operating leases. The leases typically run for a period of 1 to 10 years, and with an option to renew the lease after that date.

	2022 B$'000
Cost	
As at January 1, 2021	2,502
Additions	185
As at December 31, 2021	2,687
Additions	234
Expiration/Termination of lease	(151)
As at December 31, 2022	2,770
Accumulated Depreciation	
As at January 1, 2021	1,007
Depreciation for the year	581
As at December 31, 2021	1,588
Depreciation for the year	564
Expiration/Termination of lease	(151)
As at December 31, 2022	2,001
Carrying Amount	
As at December 31, 2022	**769**
As at December 31, 2021	1,099

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements B$'000	Computers B$'000	Office Equipment B$'000	Furniture and Fittings B$'000	Motor Vehicles B$'000	Total 2022 B$'000	Total 2021 B$'000
Cost							
As at January 1, 2021	219	1,289	94	38	114	-	1,754
Additions	-	99	19	-	-	-	118
Disposals	(28)	(86)	(18)	(2)	(38)	-	(172)
As at December 31, 2021	191	1,302	95	36	76	1,700	1,700
Additions	72	42	-	-	-	114	-
Disposals	(94)	(217)	(25)	(36)	-	(372)	-
As at December 31, 2022	**169**	**1,127**	**70**	**-**	**76**	**1,442**	**-**
Accumulated Depreciation							
As at January 1, 2021	127	270	48	24	44	-	513
Depreciation for the year	39	195	19	7	15	-	275
Disposals	(28)	(86)	(18)	(1)	(38)	-	(171)
As at December 31, 2021	138	379	49	30	21	617	617
Depreciation for the year	40	290	18	6	15	369	-
Disposals	(94)	(217)	(25)	(36)	-	(372)	-
As at December 31, 2022	**84**	**452**	**42**	**-**	**36**	**614**	**-**
Carrying Amounts							
As at December 31, 2022	**85**	**675**	**28**	**-**	**40**	**828**	**-**
As at December 31, 2021	53	923	46	6	55	-	1,083

17 DEPOSITS FROM CUSTOMERS

	2022 B$'000	2021 B$'000
By type of Deposits		
Savings Deposits	944,571	1,049,420
Fixed Deposits	13,698	46,133
Total	**958,269**	**1,095,553**
By type of Customers		
Individuals	955,845	1,088,479
Corporate	2,424	7,074
Total	**958,269**	**1,095,553**

18 LEASE LIABILITIES

	2022 B$'000	2021 B$'000
Amounts due for settlement within 12 months	551	561
Amounts due for settlement after 12 months	319	644
Total	**870**	**1,205**
Maturity Analysis:		
Not later than 1 year	551	561
Later than 1 year and not later than 5 years	319	644
Total	**870**	**1,205**

The Company does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Company's finance function.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position is 5.5%.

19 OTHER LIABILITIES

	2022 B$'000	2021 B$'000
Other Payables	3,683	4,754
Provision for End of Service Benefits	2,543	2,434
Accrued Expenditure	2,219	2,384
Commission Retention Payables	16	16
Deposits	1	1
Total	**8,462**	**9,589**

20 DEFERRED TAXATION

	2022 B$'000	2021 B$'000
Balances as at December 31	47	47

Deferred tax liabilities comprise the estimated expense at current income tax rates on the following items:

	2022 B$'000	2021 B$'000
Property, Plant and Equipment	140	140
Others	72	72
Loss allowances on Loans and Advances	(165)	(165)
Balance as at December 31	**47**	**47**

21 SHARE CAPITAL

	2022 B$'000	2021 B$'000
Authorised		
50,000,000 Ordinary shares of B$1 each	50,000	50,000
Issued and Paid Up		
45,000,000 Ordinary shares of B$1 each	45,000	45,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time. At any General Meeting, every member present in person, shall have on a show of hands one vote. All ordinary shares rank equally with regard to the Company's residual assets.

22 STATUTORY RESERVE

	2022 B$'000	2021 B$'000
Balance as at January 1	43,283	39,616
Add: Transfer during the year	4,186	3,667
Balances as at December 31	**47,469**	**43,283**

23 RETAINED EARNINGS

	2022 B$'000	2021 B$'000
Balances as at January 1	55,910	55,266
Profit for the financial year	27,911	24,446
Less: Transfer during the year		
- Statutory Reserve	(4,186)	(3,667)
- Prudential Reserve for Credit Losses	(4)	(141)
Prudential Reserve for Credit Losses	4	141
Dividends paid	(20,779)	(20,135)
Balances as at December 31	**58,856**	**55,910**

The Prudential Reserve for Credit Losses is a non-distributable reserve account that is used to reflect an amount equal to the outstanding accrual interest/profit income on non-performing financial assets via a transfer from retained earnings as mandated by BDCB Notice No: BU/N-8/2018/58, Prudential Treatment of Problem Assets and Accounting for Expected Credit Losses.

24 CASH AND CASH EQUIVALENTS

	2022 B$'000	2021 B$'000
Bank balances with Immediate Holding Company (note 11)	35,937	51,158
Cash in hand (note 11)	2,287	1,474
Total	**38,224**	**52,632**

24 CASH AND CASH EQUIVALENTS (cont'd)

Changes in liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	Lease liabilities B$'000
As at January 1, 2021	**1,570**
Non-cash changes	
Interest Expense on Lease Liabilities	79
New Leases	185
	1,834
Financing cash flows	
Repayment of Lease Liabilities	(629)
As at December 31, 2021	**1,205**
Non-cash changes	
Interest Expense on Lease Liabilities	49
New Leases	234
	1,488
Financing cash flows	
Repayment of Lease Liabilities	(618)
As at December 31, 2022 (note 18)	**870**

25 RELATED PARTIES' TRANSACTIONS

The Company considers members of the Board of Directors, the members of the immediate holding company's management committee and the Company's management committee as key management personnel ("KMP").

Related parties in these financial statements refer to members of the immediate holding company's group of companies and other related companies.

(i) Transactions with key management personnel for the Company:

	KMP	
	2022 B$'000	**2021 B$'000**
STATEMENT OF FINANCIAL POSITION		
Assets		
Loans and Advances	465	529
Total	**465**	**529**
Liabilities		
Deposits	1,391	1,600
Total	**1,391**	**1,600**

	KMP	
	2022 B$'000	**2021 B$'000**
STATEMENT OF PROFIT OR LOSS		
Income		
Hire purchase interest received	33	35
Total	**33**	**35**
Expenses		
Interest Expense	3	4
Total	**3**	**4**

25 RELATED PARTIES' TRANSACTIONS (cont'd)

(i) The Company's related parties transactions include transactions with member of the immediate holding company's group of companies and other related companies shown below:

	Other related companies	
	2022	**2021**
	B$'000	**B$'000**
STATEMENT OF FINANCIAL POSITION		
Assets		
Deposits with Immediate Holding Company	213,419	351,819
Loans and Advances	18	29
Total	**213,437**	**351,848**

	Other related companies	
	2022	**2021**
	B$'000	**B$'000**
STATEMENT OF PROFIT OR LOSS		
Income		
Interest income received from Immediate Holding Company	1,033	973
Hire purchase interest received from Related Parties	1	2
Total	**1,034**	**975**
Expenses		
Infrastructure and network costs charged by Immediate Holding Company	5,400	5,400
Management fees charged by Immediate Holding Company	1,800	1,800
Total	**7,200**	**7,200**