BAIDURI FINANCE

BAIDURI FINANCE BERHAD
(Incorporated in Brunei Darussalam)

REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019
[ROC No: AGO/RC/4048]

BAIDURI FINANCE BERHAD
(Incorporated in Brunei Darussalam)

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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BAIDURI FINANCE BERHAD
(Incorporated in Brunei Darussalam)

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report and audited financial statements of Baiduri Finance Berhad (the "company") for the financial year ended December 31, 2019.

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

	2019 B$'000
Balance as at January 1, 2019	**69,414**
Profit for the year	23,375
Transferred to Statutory Reserve from Retained Earnings	(3,506)
Dividends paid	(23,129)
Balance as at December 31, 2019	**66,154**

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, 2019 is set out in the Statement of Financial Position. These financial statements were approved by the Board of Directors on March 19, 2020.

BAIDURI FINANCE BERHAD
(Incorporated in Brunei Darussalam)

REPORT OF THE DIRECTORS

DIVIDENDS

	2019 B$'000
Dividends declared and paid during the financial year are as follows: -	
Final dividend paid on June 5, 2019 in respect of the financial year ended December 31, 2018	18,129
Interim dividend paid on November 1, 2019 in respect of the financial year ended December 31, 2019	5,000

At the forthcoming Annual General Meeting, a final dividend of B$ 14,869,000 in respect of the financial year ended December 31, 2019 will be proposed for shareholders' approval.

DIRECTORS

The Directors 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 (appointed on September 18, 2019)
Pierre Imhof
Bertie Cheng Shao Shing
Haji Haliluddin Bin Dato Hj Talib
Francis Gerard Caze (resigned on March 31, 2019)

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 except as follows:

	Holdings registered under the name of director nominee	
Name of directors and companies in which interests are held	At December 31, 2019	At January 1, 2019 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

....

DIRECTOR

....

DIRECTOR

Brunei Darussalam
Date: March 19, 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

BAIDURI FINANCE BERHAD
(Incorporated in Brunei Darussalam)

Opinion

We have audited the financial statements of Baiduri Finance Berhad (the "company") which comprise the statement of financial position of the company as at December 31, 2019 and the statement of profit and loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows of the company 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 66.

In our opinion, the accompanying financial statements of the company are properly drawn up in accordance with the provisions of the Brunei Darussalam Companies Act, Cap. 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 of the company as at December 31, 2019 and of the financial performance, changes in equity and cash flows of the company for the financial 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 of 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 Directors' Report 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 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, 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
Certified Public Accountants

HAJI ZULFARIQ ZARA BIN HAJI ZAINUDDIN
Public Accountant

Brunei Darussalam

Date: March 19, 2020

BAIDURI FINANCE BERHAD
(Incorporated in Brunei Darussalam)

STATEMENT OF PROFIT OR LOSS
For the year ended December 31, 2019

	Note	2019 B$'000	2018 B$'000
Income			
Interest Income	**5**	57,928	58,517
Less: Interest Expense	**6**	(5,218)	(5,856)
Net Interest Income		52,710	52,661
Other Operating Income	**7**	2,777	3,374
Total Operating Income		55,487	56,035
Less:			
Personnel Expenses	**8**	(5,625)	(5,568)
Provision for End of Service Benefits		(288)	(288)
Other Overhead Expenses	**9**	(22,870)	(23,301)
Total Operating Expenses		(28,783)	(29,157)
Less:			
Impairment Losses for Loans		(9,407)	(12,529)
Recoveries of Loans Written-off		11,362	11,699
Net Impairment Charges and Allowances		1,955	(830)
Profit before Taxation		**28,659**	**26,048**
Less: Income Tax Expense	**10**	(5,284)	(4,720)
Profit after Taxation / Profit for the year		**23,375**	**21,328**

The significant accounting policies and the notes from pages 12 to 66 form an integral part of the financial statements.

BAIDURI FINANCE BERHAD
(Incorporated in Brunei Darussalam)

STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2019

	2019 B$'000	2018 B$'000
Profit after Taxation / Profit for the year	23,375	21,328
Other Comprehensive Income	-	-
Total Comprehensive Income for the year	**23,375**	**21,328**

The significant accounting policies and the notes from pages 12 to 66 form an integral part of the financial statements.

BAIDURI FINANCE BERHAD
(Incorporated in Brunei Darussalam)

STATEMENT OF FINANCIAL POSITION
As at December 31, 2019

	Note	2019 B$'000	2018 B$'000
ASSETS			
Cash and Short Term Funds	**11**	207,335	227,757
Balances with AMBD	**12**	53,080	57,126
Loans and Advances	**13**	794,680	803,981
Other Assets	**14**	28,084	27,707
Right-of-use Assets	**15**	1,900	-
Property, Plant and Equipment	**16**	896	565
Total Assets		**1,085,975**	**1,117,136**
LIABILITIES			
Deposits from Customers	**17**	902,452	938,182
Amount due to Immediate holding company		459	-
Lease Liabilities	**18**	1,950	-
Other Liabilities	**19**	10,038	9,901
Provision for Taxation	**10**	23,636	21,859
Deferred Taxation	**20**	47	47
Total Liabilities		**938,582**	**969,989**
SHAREHOLDERS' EQUITY			
Share Capital	**21**	45,000	45,000
Statutory Reserves	**22**	36,239	32,733
Retained Earnings	**23**	66,154	69,414
Total Equity		**147,393**	**147,147**
Total Liabilities and Equity		**1,085,975**	**1,117,136**

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

Director

Director

BAIDURI FINANCE BERHAD
(Incorporated in Brunei Darussalam)

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2019

			Retained Earnings		
	Share Capital	**Statutory Reserve**	**Retained Earnings**	**Prudential Reserve for Credit Losses**	**Total Equity**
	B$'000	**B$'000**	**B$'000**	**B$'000**	**B$'000**
Balance as at January 1, 2018	**25,000**	**29,534**	**88,406**	**-**	**142,940**
Net profit for the year	-	-	21,328	-	21,328
Increase in Share Capital	20,000	-	-	-	20,000
Transfer to:					
- Statutory reserve		3,199	(3,199)	-	-
- Prudential reserve for credit losses		-	(243)	243	-
Final dividend paid	-	-	(9,121)	-	(9,121)
Exceptional dividend paid	-	-	(28,000)	-	(28,000)
Balance as at December 31, 2018	**45,000**	**32,733**	**69,171**	243	**147,147**
Net profit for the year	-	-	23,375	-	23,375
Transfer to:					
- Statutory reserve	-	3,506	(3,506)	-	-
- Prudential reserve for credit losses			(219)	219	-
Final dividend paid	-	-	(18,129)	-	(18,129)
Interim dividend paid	-	-	(5,000)	-	(5,000)
Balance as at December 31, 2019	**45,000**	**36,239**	**65,692**	**462**	**147,393**

The significant accounting policies and the notes from pages 12 to 66 form an integral part of the financial statements.

BAIDURI FINANCE BERHAD
(Incorporated in Brunei Darussalam)

STATEMENT OF CASH FLOWS
For the year ended December 31, 2019

	Note	2019 B$'000	2018 B$'000
Cash flows from operating activities			
Profit before taxation:		28,659	26,048
Adjustments for non-cash items:			
Depreciation of Property, Plant and Equipment		307	404
Depreciation of Right-of-use Assets		497	-
Interest expenses on Lease Liabilities		118	-
Impairment Losses for Loans		9,407	12,529
Operating profit before change in operating assets and liabilities		**38,988**	**38,981**
Change in operating assets and liabilities:			
Balances and placements with banks and AMBD		26,764	9,729
Loans and Advances		(106)	48,377
Other Assets		(377)	1,365
Deposits from Customers		(35,730)	(79,156)
Other Liabilities		137	1,023
Cash from operating activities		**29,676**	**20,319**
Income tax paid		(3,507)	(3,435)
Net cash from operating activities		**26,169**	**16,884**
Cash flows from investing activities			
Purchase of Property, Plant and Equipment		(638)	(77)
Net cash used in investing activities		**(638)**	**(77)**
Cash flows from financing activities			
Increase in share capital		-	20,000
Amount due to Immediate holding company		459	-
Interest expenses on Lease Liabilities		(118)	-
Dividends paid		(23,129)	(37,121)
Payment of obligations under leases		(447)	-
Net cash used in financing activities		**(23,235)**	**(17,121)**
Net change in cash and cash equivalents		2,296	(314)
Cash and cash equivalents at January 1		66,127	66,441
Cash and cash equivalents at December 31	**24**	**68,423**	**66,127**

The significant accounting policies and the notes from pages 12 to 66 form an integral part of the financial statements.

1 GENERAL

Baiduri Finance Berhad (the "company") is incorporated in Negara Brunei Darussalam with its principal place of business and registered office at Unit 1-3, 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 were authorised for issue by the Board of Directors on March 19, 2020.

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, Cap 39, Finance Companies Act, Cap 89 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 held at fair value through profit or loss that have been measured at fair value. 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. 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, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in inventories or value in use for assessing impairment of non-financial 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 NEW AND REVISED IFRS AFFECTING THE REPORTED FINANCIAL PERFORMANCE AND/OR FINANCIAL POSITION

<u>General impact of application of IFRS 16 Leases</u>

In the current year, the company has applied IFRS 16 Leases (as issued by the IASB in January 2016).

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requires and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 2.5. The impact of the adoption of IFRS 16 on the company financial statements are described below.

The date of initial application of IFRS 16 for the company is January 1, 2019.

The company has applied IFRS 16 using the cumulative catch up approach which:

- requires the company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and

- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

<u>Impact of the new definition of a lease</u>

The company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or modified before January 1, 2019.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 NEW AND REVISED IFRS AFFECTING THE REPORTED FINANCIAL PERFORMANCE AND/OR FINANCIAL POSITION (cont'd)

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an
identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risk and rewards' in IAS 17 and IFRC 4.

The company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in IFRS 16 does not significantly change the scope of contracts that meet the definition of a lease for the company.

<u>Impact on lessee accounting</u>

Former operating leases

IFRS 16 changes how the company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the company:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);

- Recognises depreciation of right-of-use-assets and interest on lease liabilities in the statement of profit or loss; and

- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of profit or losses.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as office equipment), the company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the statement of profit or loss.

The company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 NEW AND REVISED IFRS AFFECTING THE REPORTED FINANCIAL PERFORMANCE AND/OR FINANCIAL POSITION (cont'd)

- The company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The company has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Financial impact of initial application of IFRS 16

The weight average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on January 1, 2019 is 5.5%.

The following table shows the operating lease commitments disclosed applying IAS 17 at December 31, 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	2019
	B$'000
Operating lease commitments at December 31, 2018	2,283
Add/ Less: Effect of discounting and other additions	114
Lease liabilities recognised as at January 1, 2019	2,397

The company has assessed that there is no tax impact arising from the application of IFRS 16.

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Consequently, the company recognised the right-of-use assets of $2,397,000 on January 1, 2019 and there is no adjustment to the prepayments, accruals or opening balances of retained earnings.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances.

2.4.1 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.

2.5 LEASING

Leases (effective prior to January 1, 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 LEASING (cont'd)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leases (effective after January 1, 2019)

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 specific to the lease.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;

- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 LEASING (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 by discounting the revised lease payments using a revised discount rate.

The right-of-use asses comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day 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 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. 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 underlying 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)

2.5 LEASING (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.

2.6 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 at the dates of the transactions. At the end of each reporting period, monetary items 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 retranslated 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.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

2.7 TAXATION

2.7.1 Current tax

Current tax 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 and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 TAXATION (cont'd)

2.7.2 Deferred tax

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

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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

2.7.3 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.

2.8 PROPERTY, PLANT AND EQUIPMENT

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

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 PROPERTY, PLANT AND EQUIPMENT (cont'd)

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 and equipment are as follows:

Leasehold improvements	5-20 years
Computers	2-8 years
Office equipment	5 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. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised 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.

2.10.1 Financial assets

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.

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)

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.

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 general 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 reasonable 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.

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)

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.

(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

The company recognised loss allowances for Expected Credit Losses (ECLs) on Loan 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).

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.1 Financial assets (cont'd)

(iii) Impairment (cont'd)

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.

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 trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is 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 investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.1 Financial assets (cont'd)

(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 Bank would not otherwise consider; and
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

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.

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.

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 2.10.1(iv) above.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.1 Financial assets (cont'd)

(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.

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.

(viii) 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 nut 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).

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.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.1 Financial assets (cont'd)

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

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. 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.1 Financial assets (cont'd)

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

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.1 Financial assets (cont'd)

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

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.

(ix) 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.

(x) 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.

2.10.2 Financial liabilities and equity instruments classifications

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.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.3 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.

2.10.4 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.

2.10.5 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 IAS 39 permits the entire combined contract to be designated as at FVTPL.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 FINANCIAL INSTRUMENTS (cont'd)

2.10.6 Other financial liabilities

Other financial liabilities (including borrowings and trade 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 through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2.10.7 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.

2.11.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods.

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 entitlements arise.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11.3 Short-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.

2.12 STANDARDS ISSUED BUT NOT YET EFFECTIVE

As at January 1, 2019, other than IFRS 16, there were no other new standards effective and relevant for the company's operations for which adoption had a material impact on the company's financial statements.

The following accounting standards have been issued by the International Accounting Standards (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 consolidated financial statements
Amendments to IFRS 3 Definition of a business	The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.	The company does not anticipate that the amendments to IFRS 3 will have a material impact on its financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Accounting standards	Summary of the requirements	Possible impact on consolidated financial statements
Amendments to IAS 1 and IAS 8 Definition of Material	The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.	The company does not anticipate that the amendments to IAS 1 and IAS 8 will have a material impact on its financial statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Accounting standards	Summary of the requirements	Possible impact on consolidated financial statements
Amendments to References to the Conceptual Framework in IFRS Standards	Together with the revised *Conceptual Framework*, which became effective upon publication on 29 March 2018, the IASB has also issued *Amendments to References to the* Conceptual Framework in *IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.	The company does not anticipate that the amendments to references to the Conceptual Framework in IFRS standards will have a material impact on its financial statements.

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, estimates and assumptions about the carrying amounts 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 dealt with 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:

- Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The company determines the business model at a level that reflects how company's of financial assets are managed together to achieve a particular business objective. The company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the assets are held. Monitoring is part of the company's continuous assessment of whether the business model for which the remaining financial assets are held continue to be appropriate and if it is not appropriate, whether there has been a change in business model and so a prospective change to the classification of those assets.

- 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 assets 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.

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

3.1 Critical judgements in applying accounting policies (cont'd)

- 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.

- 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.

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.

- 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 company would expect to receive taking into account cash flows from collateral.

- Fair value measurement and valuation process: In estimating the fair value of a financial asset or a liability, the company uses market observable data to the extend it is available. Where such level 1 inputs are not available, the company uses valuation models to determine the fair value of its financial instruments.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES

4.1 CAPITAL MANAGEMENT

The company's regulator, Autoriti Monetari Brunei Darussalam 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 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, 2018 and 2019. Management monitors capital based on "capital funds" as defined under the Finance Companies Act, Chapter 89 (the FCA).

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 AMBD, 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.

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

4.2 FAIR VALUE MEASUREMENTS (cont'd)

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 uncollateralised loans and advances, an estimate is made of the time period to realise these cash flows and the fair value is estimated by discounting these cash flows at the market rate. 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.

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

The fair value of financial assets and liabilities approximate their carrying values at the end of the reporting period. Accordingly, the company has not disclosed the fair value and their levels in the fair value hierarchy for financial assets and liabilities carried at amortised cost.

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

4.3 CATEGORIES OF FINANCIAL INSTRUMENTS

	2019		2018	
	At Amortised Cost B$'000	**Carrying Amount B$'000**	**At Amortised Cost B$'000**	**Carrying Amount B$'000**
Financial Assets				
Cash and Short Term Funds	207,335	207,335	227,757	227,757
Balances with AMBD	53,080	53,080	57,126	57,126
Loans and Advances	794,680	794,680	803,981	803,981
Other Assets	28,015	28,015	27,630	27,630
Total Financial Assets	**1,083,110**	**1,083,110**	**1,116,494**	**1,116,494**
Financial Liabilities				
Deposits from Customers	902,452	902,452	938,182	938,182
Amount due to Immediate holding company	459	459	-	-
Other Liabilities	7,896	7,896	7,731	7,731
Lease Liabilities	1,950	1,950	-	-
Total Financial Liabilities	**912,757**	**912,757**	**945,913**	**945,913**

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 risks; and
- Operational risks.

Risk management framework

The company's Board of Directors has appointed the Executive Committee (EXCO) to have overall responsibility for the establishment and oversight of the company's risk management framework.

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.

At the immediate holding company, Baiduri Bank Berhad, (Group EXCO) established the Audit Committee (AC) and Risk Management Committee (RMC). The Group AC and RMC oversees how management monitors compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Group AC and RMC is assisted in its oversight role by the Group's Internal Audit. The Group's Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group AC and RMC.

Credit risk

Credit risk is the risk of financial loss 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 EXCO approves major prudential policies and limits that govern large customer exposures and industry concentration. The EXCO appoints the company's Credit Manager 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.

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 level of non-performing loans and the adequacy of provisioning.

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

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 employs experts who use external and internal information to generate a "base-case" 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.

The company applies probabilities to the forecast scenarios identified. The "base-case" scenario is the single most likely outcome and consists of information used by the company for strategic planning and budgeting. 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 $20,000 (2018: $26,000) 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 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 any collateral. 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 and expected drawdowns on committed facilities.

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

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. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items), In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to performed the assessment on a collective basis.

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.

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

Class of Financial instrument	**Financial Statement line**
Loans and Advances to customers at amortised cost	Loans and Advances

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 and lending commitments is shown below.

	Loans and Advances	
	2019	**2018**
	B$'000	**B$'000**
Transportation		
- Individual	759,465	778,056
- Corporate	43,183	36,109
Total	**802,648**	**814,165**

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Impaired 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		%	
	2019 B$'000	2018 B$'000	2019 B$'000	2018 B$'000	2019 %	2018 %
Transportation						
- Individual	759,465	778,056	8,453	10,792	1.11%	1.39%
- Corporate	43,183	36,109	478	418	1.11%	1.16%
Total	**802,648**	**814,165**	**8,931**	**11,210**		

The table below sets out a reconciliation of changes in the carrying amount of Loans and Advances.

	Year Ended 2019				
	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	693,652	-	-	181	693,833
Month-in-arrear 1	-	86,480	-	12	86,492
Month- in- arrear 2	-	13,585	-	-	13,585
Month- in-arrear 3 and above	-	-	8,738	-	8,738
Total gross carrying amount	693,652	100,065	8,738	193	802,648
Loss allowances	(891)	(3,333)	(3,677)	(67)	(7,968)
Net Carrying Amount	**692,761**	**96,732**	**5,061**	**126**	**794,680**

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

	Year Ended 2018				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI**	**Total**
	B$'000	**B$'000**	**B$'000**	**B$'000**	**B$'000**
Non past due	696,730	-	-	114	**696,844**
Month-in-arrear 1	-	90,157	-	176	**90,334**
Month- in- arrear 2	-	16,067	-	157	**16,224**
Month- in-arrear 3 and above	-	-	10,687	77	**10,763**
Total gross carrying amount	696,730	106,224	10,687	524	**814,165**
Loss allowances	(961)	(3,947)	(5,189)	(87)	**(10,184)**
Net Carrying Amount	**695,769**	**102,277**	**5,498**	**437**	**803,981**

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**	**Stage 2 Lifetime ECL**	**Stage 3 lifetime ECL**	**POCI**	**Total**
	B$'000	**B$'000**	**B$'000**	**B$'000**	**B$'000**
Gross carrying amount as at January 1, 2019	**696,730**	**106,224**	**10,687**	**524**	**814,165**
Change in the gross carrying amount					
- Transfer to stage 1	35,191	(34,505)	(686)	-	**-**
- Transfer to stage 2	(52,506)	53,249	(743)	-	**-**
- Transfer to stage 3	(3,981)	(4,991)	8,972	-	**-**
- Increase/(Decrease) during the year	(141,917)	(21,243)	794	(226)	**(162,592)**
New financial assets originated or purchased	227,477	17,052	1,581	-	**246,110**
Financial assets that have been derecognised	(63,273)	(9,244)	(549)	(43)	**(73,109)**
Write offs	(4,069)	(6,477)	(11,318)	(62)	**(21,926)**
Gross carrying amount as at December 31, 2019	**693,652**	**100,065**	**8,738**	**193**	**802,648**
Loss allowances as at December 31, 2019	**(891)**	**(3,333)**	**(3,677)**	**(67)**	**(7,968)**

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Loans and Advances at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 lifetime ECL	POCI	Total
	B$'000	B$'000	B$'000	B$'000	B$'000
Gross carrying amount as at January 1, 2018	**744,722**	**113,963**	**14,780**	**1,814**	**875,279**
Change in the gross carrying amount					
- Transfer to stage 1	36,946	(36,213)	(733)	-	**-**
- Transfer to stage 2	(58,184)	59,398	(1,214)	-	**-**
- Transfer to stage 3	(5,800)	(6,203)	12,003	-	**-**
- Increase/(Decrease) during the year	(162,601)	(22,351)	6,227	(475)	**(179,200)**
New financial assets originated or purchased	204,129	14,855	963	-	**219,947**
Financial assets that have been derecognised	(3,298)	(7,460)	(9,063)	(654)	**(20,475)**
Write offs	(59,184)	(9,765)	(12,276)	(161)	**(81,386)**
Gross carrying amount as at December 31, 2018	**696,730**	**106,224**	**10,687**	**524**	**814,165**
Loss allowances as at December, 2018	**(961)**	**(3,947)**	**(5,189)**	**(87)**	**(10,184)**

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

Loss allowances – Loan and Advances	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 lifetime ECL	POCI	Total
	B$'000	B$'000	B$'000	B$'000	B$'000
Loss allowances as at January 1, 2019	**961**	**3,947**	**5,189**	**87**	**10,184**
Write offs	(6)	(291)	(11,318)	(8)	**(11,623)**
Increase/ (Decrease) in allowances recognised in Profit or Loss					
Changes in Loss allowances					
- Transfer to stage 1	1,862	(1,288)	(574)	-	**-**
- Transfer to stage 2	(72)	246	(174)	-	**-**
- Transfer to stage 3	(5)	(174)	179	-	**-**
- Increase/ (Decrease) due to change in credit risk	(2,071)	1,125	10,445	(7)	**9,492**
New financial assets originated or purchased	310	64	548	-	**922**
Financial assets that have been derecognised	(88)	(296)	(618)	(5)	**(1,007)**

Loss allowances as at December 31, 2019	**891**	**3,333**	**3,677**	**67**	**7,968**

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Loss allowances – Loans and Advances	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 lifetime ECL**	**POCI**	**Total**
	B$'000	**B$'000**	**B$'000**	**B$'000**	**B$'000**
Loss allowances as at January 1, 2018	**701**	**3,623**	**5,504**	**564**	**10,392**
Write offs	(3)	(279)	(12,276)	(179)	(12,737)
Increase/ (Decrease) in allowances recognised in Profit or Loss					
Changes in Loss allowances					
- Transfer to stage 1	1,337	(1,176)	(161)	-	-
- Transfer to stage 2	(55)	315	(260)	-	-
- Transfer to stage 3	(5)	(163)	168	-	-
- Increase/ (Decrease) due to change in credit risk	(1,231)	1,148	12,522	(244)	**12,195**
New financial assets originated or purchased	282	702	213	-	**1,197**
Financial assets that have been derecognised	(65)	(223)	(521)	(54)	**(863)**
Loss allowances as at December 31, 2018	**961**	**3,947**	**5,189**	**87**	**10,184**

Certain reclassification to prior year's figures in the above table was made to enhance comparability with current year's figures.

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (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 is $10,788,000 (2018: $10,842,000) 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 / issuer'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.

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

The company's credit policy is in compliance with the Autoriti Monetari Brunei Darussalam's regulations and the laws of Brunei Darussalam.

Collateral held and 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	Financial Effect of Collateral Held	Net exposure from Loans and Advances
		B$'000	B$'000	B$'000
2019				
Loans and Advances				
- Individual	Motor Vehicle	759,465	(381,945)	377,520
- Corporate	Motor Vehicle	43,183	(25,096)	18,087
Total		**802,648**	**(407,041)**	**395,607**
2018				
Loans and Advances				
- Individual	Motor Vehicle	778,056	(378,363)	399,693
- Corporate	Motor Vehicle	36,109	(20,934)	15,175
Total		**814,165**	**(399,297)**	**414,868**

Cash and cash equivalents

The company held cash and cash equivalents of B$207,335,000 at December 31, 2019 (2018: B$227,757,000). Most of cash and cash equivalents, except deposits with the Autoriti Monetari Brunei Darussalam, 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.

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Management of liquidity risk

The Group's Assets and Liabilities Committee (Group ALCO) sets the company's strategy for managing liquidity risk and has the responsibility for the oversight of the implementation of this policy. Finance and Operation departments manage 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 management and Group ALCO.

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 individual and company) and maintaining contingency facilities with banks;
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity;
- Monitoring liquidity, maturity mismatches, behavioural characteristics of the company's financial assets and liabilities.

Finance and Operation receive 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 business. Finance and Operation then maintain 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 monitors 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, Autoriti Monetari Brunei Darussalam.

Maturity analysis for financial assets and liabilities

The tables below set out the remaining contractual maturities of the company's financial assets and financial liabilities.

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (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
2019								
Non-derivative assets								
Cash and Current account	3,425	3,425	3,425	-	-	-	-	-
Balances with AMBD	53,080	53,080	53,080	-	-	-	-	-
Money at call, term deposit with bank	203,910	204,557	149,249	52,285	3,023	-	-	-
Loan and Advances	794,680	981,310	65,768	63,927	121,030	407,792	248,065	74,728
Other Assets	28,015	28,015	28,015	-	-	-	-	-
Total	**1,083,110**	**1,270,387**	**299,537**	**116,212**	**124,053**	**407,792**	**248,065**	**74,728**
Non-derivative liabilities								
Deposits from Customers	(902,452)	(910,869)	(189,359)	(87,777)	(179,968)	(453,765)	-	-
Amount due to Immediate holding company	(459)	(459)	(459)	-	-	-	-	-
Other Liabilities	(7,896)	(7,896)	(7,896)	-	-	-	-	-
Lease Liabilities	(1,950)	(1,950)	(116)	(117)	(239)	(1,012)	(466)	-
Total	**(912,757)**	**(921,174)**	**(197,830)**	**(87,894)**	**(180,207)**	**(454,777)**	**(466)**	**-**
Net Cash Inflow/(Outflow)	**170,353**	**349,213**	**101,707**	**28,318**	**(56,154)**	**(46,985)**	**247,599**	**74,728**

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (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
2018								
Non-derivative assets								
Cash and Current account	2,659	2,659	2,659	-	-	-	-	-
Balances with AMBD	57,126	57,126	57,126	-	-	-	-	-
Money at call, Term deposit with bank	225,098	225,792	144,321	66,359	15,112	-	-	-
Loans and Advances	803,981	999,084	68,971	66,800	126,388	424,580	245,412	66,933
Other Assets	27,630	27,630	27,630	-	-	-	-	-
Total	**1,116,494**	**1,312,291**	**300,707**	133,159	141,500	424,580	245,412	66,933
Non-derivative liabilities								
Deposits from Customers	(938,182)	(947,100)	(183,192)	(107,238)	(165,652)	(491,018)	-	-
Other Liabilities	(7,731)	(7,731)	(7,731)	-	-	-	-	-
Total	**(945,913)**	**(954,831)**	**(190,923)**	**(107,238)**	**(165,652)**	**(491,018)**	**-**	**-**
Net Cash Inflow/(Outflow)	**170,581**	**357,460**	**109,784**	**25,921**	**(24,152)**	**(66,438)**	**245,412**	**66,933**

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

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

The gross nominal inflows / (outflows) disclosed in the previous table represent the contractual undiscounted cash flows relating to financial liabilities and assets 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 risks

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates 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 risks

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)

	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
2019								
Non-derivative assets								
Cash and Current account	3,425	3,425	-	-	-	-	-	-
Balances with AMBD	53,080	53,080	-	-	-	-	-	-
Money at call, term deposit with bank	203,910	-	148,904	52,013	2,993	-	-	-
Loans and Advances	794,680	-	58,689	48,480	104,151	330,384	191,802	61,174
Other Assets	28,015	28,015	-	-	-	-	-	-
Total	**1,083,110**	**84,520**	**207,593**	**100,493**	**107,144**	**330,384**	**191,802**	**61,174**
Non-derivative liabilities								
Deposits from Customers	(902,452)	-	(156,921)	(90,820)	(169,561)	(485,150)	-	-
Amount due to Immediate holding company	(459)	(459)	-	-	-	-	-	-
Other Liabilities	(7,896)	(7,896)	-	-	-	-	-	-
Lease Liabilities	(1,950)	-	(116)	(117)	(239)	(1,012)	(466)	-
Total	**(912,757)**	**(8,355)**	**(157,037)**	**(90,937)**	**(169,800)**	**(486,162)**	**(466)**	**-**

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (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
2018								
Non-derivative assets								
Cash and Current account	2,659	2,659	-	-	-	-	-	-
Balances with AMBD	57,126	57,126	-	-	-	-	-	-
Money at call, term deposit with bank	225,098	-	144,034	66,054	15,010	-	-	-
Loans and Advances	803,981	-	63,491	48,787	108,594	339,605	188,702	54,802
Other Assets	27,630	27,630	-	-	-	-	-	-
Total	**1,116,494**	**87,415**	**207,525**	**114,841**	**123,604**	**339,605**	**188,702**	**54,802**
Non-derivative liabilities								
Deposits from Customers	(938,182)	-	(181,870)	(101,616)	(168,016)	(486,680)	-	-
Other Liabilities	(7,731)	(7,731)	-	-	-	-	-	-
Total	**(945,913)**	**(7,731)**	**(181,870)**	**(101,616)**	**(168,016)**	**(486,680)**	**-**	**-**

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (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 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 year ended December 31, 2019 would decrease by B$815,000 (2018: B$872,000). 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 Operation and Finance department which uses advance from bank and deposits with bank to manage the overall position arising from the company's activities.

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and innovation. In all cases, the company's policy requires compliance with all applicable legal and regulatory requirements.

The EXCO has delegated responsibility for operational risk to its General Manager who is responsible for the development and implementation of procedures and processes to address operational risk.

5 INTEREST INCOME

	2019 B$'000	2018 B$'000
Hire Purchases	55,023	56,097
Bank Deposits	2,905	2,420
Total interest income	**57,928**	**58,517**

A reclassification of $447,000 within Interest Income and Impairment Losses for Loans was made to prior year comparatives to enhance comparability with current year's figures.

6 INTEREST EXPENSE

	2019 B$'000	2018 B$'000
Deposits	**5,218**	**5,856**

7 OTHER OPERATING INCOME

	2019 B$'000	2018 B$'000
Late Charges and Other Hire Purchase Fees	2,662	3,239
Other Charges on Depository Accounts	115	133
Others	-	2
Total	**2,777**	**3,374**

NOTES TO FINANCIAL STATEMENTS
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8 PERSONNEL EXPENSES

	2019 B$'000	2018 B$'000
Salaries and Wages	3,820	3,828
Directors' Fees	158	166
Allowances and Bonuses	1,158	1,127
Employees' Trust Fund Contribution	242	243
Training, Mileage, Medical and Others	247	204
Total	**5,625**	**5,568**

9 OTHER OVERHEAD EXPENSES

	2019 B$'000	2018 B$'000
Advertisement and Publicity	286	245
Depreciation of Property, Plant and Equipment	307	403
Depreciation of Right-of-use Assets	497	-
Rental	-	664
Interest Expense on Lease Liabilities	118	-
Expenses relating to Leases of Low Value Assets	124	-
Repair and maintenance	843	827
License Fee	170	186
Dealers' Commission	8,689	9,596
Infrastructure and Network Costs	5,400	5,400
Dealers' Incentive	897	671
Legal and Professional Fees	1,870	1,470
Management Fees	1,800	1,800
Other Expenses	1,869	2,039
Total	**22,870**	**23,301**

10 INCOME TAX EXPENSE

	2019 B$'000	2018 B$'000
Recognised in the Statement of Profit or Loss		
Current Tax Expense		
Current year	**5,284**	**4,720**
Movement in Provision for Taxation		
Opening Balance as at January 1	21,859	20,986
Impact of IFRS 9 adoption at January 1, 2018	-	(412)
Current year provision	5,284	4,720
Income tax paid	(3,507)	(3,435)
Closing balance as at December 31	**23,636**	**21,859**
Reconciliation of Effective Tax Rate at 18.50%		
Profit before income tax	28,659	26,048
Income tax using the domestic corporation tax rate	5,302	4,819
Tax effect of non-taxable revenue and others	(18)	(99)
Total	**5,284**	**4,720**

11 CASH AND SHORT TERM FUNDS

	2019 B$'000	2018 B$'000
Cash in hand	3,425	2,659
Bank balances with immediate holding company	64,998	63,468
Term deposits with immediate holding company with remaining maturity not exceeding one year	138,912	161,630
Total	**207,335**	**227,757**

Included in term deposits with immediate holding company is B$90,140,000 (2018: B$93,704,000) being an amount restricted in use to comply with a directive issued by the Autoriti Monetari Brunei Darussalam in accordance with Section 25 (1) of the Finance Companies Act, Cap. 89.

12 BALANCES WITH AUTORITI MONETARI BRUNEI DARUSSALAM (AMBD)

The cash reserve is maintained in accordance with Section 25 (2) of the Finance Companies Act, Cap. 89. At present, the minimum cash reserve requirement is 6% of the total average deposit liabilities and is not earning interest.

13 LOANS AND ADVANCES

	2019 **B$'000**	**2018** **B$'000**
By Type:		
Term Loans		
- Hire Purchase Receivables	802,648	814,165
Less: Loan Loss Allowances	(7,968)	(10,184)
Net Loans and Advances	**794,680**	**803,981**

	2019 **B$'000**	**2018** **B$'000**
By Security:		
Secured by:		
- Charge on Motor Vehicles	794,680	803,981
Net Loans and Advances	**794,680**	**803,981**

14 OTHER ASSETS

	2019 B$'000	2018 B$'000
Prepayments - others	69	77
Deposits	143	143
Dealers' Commission & Incentive	27,872	27,487
Total	**28,084**	**27,707**

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.

	2019 B$'000
Cost	
As at beginning of the year	2,397
Additions	-
As at end of the year	2,397
Accumulated Depreciation	
As at beginning of the year	-
Depreciation for the year	497
As at end of the year	497
Carrying Amounts	
As at December 31, 2019	**1,900**
As at January 1, 2019	2,397

NOTES TO FINANCIAL STATEMENTS
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16 PROPERTY, PLANT AND EQUIPMENT

	Computers B$'000	Furniture and fittings B$'000	Office equipment B$'000	Leasehold improvements B$'000	Signage B$'000	Motor vehicles B$'000	Total 2019 B$'000	Total 2018 B$'000
Cost								
As at beginning of the year	974	251	433	1,011	15	98	**2,782**	2,706
Additions	618	-	20	-	-	-	**638**	77
As at end of the year	1,592	251	453	1,011	15	98	**3,420**	2,783
Accumulated Depreciation								
As at beginning of the year	832	196	358	760	14	57	**2,217**	1,814
Depreciation for the year	75	31	41	139	1	20	**307**	404
As at end of the year	907	227	399	899	15	77	**2,524**	2,218
Carrying Amounts								
As at December 31, 2019	**685**	**24**	**54**	**112**	**-**	**21**	**896**	-
As at December 31,2018	**142**	**55**	**75**	**251**	**1**	**41**	-	565

NOTES TO FINANCIAL STATEMENTS
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17 DEPOSITS FROM CUSTOMERS

	2019 B$'000	2018 B$'000
By type of Deposits		
Savings deposits	824,478	834,134
Fixed deposits	77,974	104,048
Total	**902,452**	**938,182**
By type of Customers		
Corporate	9,994	15,056
Individuals	892,458	923,126
Total	**902,452**	**938,182**

18 LEASE LIABILITIES

	2019 B$'000
Amounts due for settlement within 12 months	**472**
Amounts due for settlement after 12 months	**1,478**
Total	**1,950**
<u>Maturity Analysis:</u>	
Not later than 1 year	**472**
Later than 1 year and not later than 5 years	**1,478**
Total	**1,950**

19 OTHER LIABILITIES

	2019 B$'000	2018 B$'000
Other Payables	7,317	7,170
Provision for End of Service Benefits	2,142	2,170
Accrued Expenditure	553	526
Deposits	10	19
Commission Retention Payables	16	16
Total	**10,038**	**9,901**

20 DEFERRED TAX ASSETS AND LIABILITIES

	2019 B$'000	2018 B$'000
Balances as at January 1 and December 31	**47**	**47**

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

	2019 B$'000	2018 B$'000
Property, Plant and Equipment	**140**	46
Others	**72**	179
Loss allowances on Loans and Advances	**(165)**	(178)
Balance as at December 31	**47**	47

21 SHARE CAPITAL

	2019 B$'000	2018 B$'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

	2019 B$'000	2018 B$'000
Balance as at January 1	32,733	29,534
Add: transfer during the year	3,506	3,199
Total	**36,239**	**32,733**

23 RETAINED EARNINGS

	2019 B$'000	2018 B$'000
Retained Earnings		
Balances as at January 1	69,414	90,220
Impact of IFRS 9 adoption at January 1, 2019	-	(1,814)
Profit for the financial year	23,375	21,328
Less: transfer during the year:		
- Statutory Reserve	(3,506)	(3,199)
- Prudential Reserve for Credit Losses	(219)	(243)
Prudential Reserve for Credit Losses	219	243
Dividends paid	(23,129)	(37,121)
Balances as at December 31	**66,154**	**69,414**

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 AMBD Notice no: BU/N-8/2018/58, Prudential Treatment of Problem Assets and Accounting for Expected Credit Losses.

24 CASH AND CASH EQUIVALENTS

	2019 B$'000	2018 B$'000
Cash in hand	3,425	2,659
Bank balances with Immediate holding company	64,998	63,468
Total	**68,423**	**66,127**

25 RELATED PARTY TRANSACTIONS

Transactions with directors, key management personnel and other individuals

Key management personnel (KMP) and their immediate relatives have transacted with the company during the period as follows:

- Directors, close relatives of a director and other related entities;
- KMP and
- Other individuals and entities

(i) The balances with KMP and other individuals and entities are as below:

	KMP	
	2019 B$'000	**2018 B$'000**
Statement of Financial Position		
Assets		
Loans and Advances	352	210
Total	**352**	**210**

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

Some of the company's transactions and arrangements are with related parties and group subsidiary companies and the effect of these on the basis determined between the parties are reflected in these financial statements.

(ii) The group related party transactions include transactions with parent, subsidiaries, other related companies and other related parties are shown below:

	Other related companies	
	2019 B$'000	**2018 B$'000**
Statement of Profit or Loss		
Income		
Interest income received from Immediate holding company	2,905	2,420
Hire purchase interest received from related parties	1	6
Total	**2,906**	**2,426**
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
Expenses relating to leases of low value assets paid to a shareholder	26	-
Rental	-	26
Total	**7,226**	**7,226**