ANNUAL REPORT 2021

RAFCO
CAMBODIA

RPTN ALLIANCE
FINANCIAL LEASING

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❖ Corporate Profile



RAFCO at a Glance Through five branches across Laos, Ruam Pattana Leading Co., Ltd. (RPLC) has accumulated over ten years of leasing expertise. Collaborat-ing with our advisory AAM Capital Service Co., Ltd., one of Thailand's most powerful financial service groups with over 30 years of experience, RPLC has created RAFCO -a steady growing financial leasing company that has the full capability to accommodate Cambodian clients with undeniable financial solutions.

❖ Vision & Mission

RPTN ALLIANCE FINANCIAL LEASING, PLC "RAFCO" is a Cambodian based Financial Lease Company, licensed by the National Bank of Cambodia in 2018.





Vision

Working in accordance with our motto - ACT RESPONSIBLY WITH ABSO- LUTELY INTEGRITY, we rise to become the leading financial service provider in Cambodia, to be the first choice of Cambodian families and individuals to increase in quality of the living standards.



Mission

Our mission is to ensure access to prompt and constant financial services for Cambodian families and individuals with the opportunity to provide our clients efficient operation- al leasing solution that promote sustainable economics and conve-nient lifestyles. In addition, we are here to establish confident alliance with the suppliers in order to contribute to social and economic development of Cambodia collectively.

1. Chairman´s Message

Mr. MONGKHON BURATTANAKUN



For a period of 3 years from the beginning of the company registration and obtaining a license from the National Bank of Cambodia onwards. RPTN ALLIANCE FINANCIAL LEASING remains committed to becoming the nation's leading financial services provider.

With services that are standard, honest and responsible, always with the principles of good governance, openness, openness, focus on capacity development.

Of personnel and technology, innovation, service work to provide continuous customer service, which will be the foundation of growth.

Sustainable and create appropriate returns for shareholders in the long run.

As a result, the Company's credit services continued to grow despite the COVID-19 outbreak.

By selecting, screening, relaxing and flexible customers under the laws and regulations of the National Bank of Cambodia.

Earnings are considered satisfactory in such a situation, despite the large number of customers who request a waiver of installments due to the impact can not.

This is subject to flexible agreements and negotiations between the company and its manageable customers.

In this situation, taking care of employee welfare, managing the work environment properly is even more important in

At present, we are ready to support additional budgets for staffing, staffing, and equipment to prevent the spread of the disease.

Thank you to all parties who work hard to drive the company to grow and progress along the way, both customers and employees.

Shareholders, partners and the community, if various factors improve, as well as the government's economic stimulus plan can drive the economy better.

We expect our credit service business to continue to grow as our economy continues to grow.

2.President & CEO's Message

Mr. PHAKAWAMIN MANEEKHAM



Since the outbreak of the COVID-19 pandemic affects the economy and lifestyle of people around the world. People have to adapt to the situation. Businesses must adapt under the inevitable epidemic situation .This is a huge challenge and responsibility. That everyone has to cope with in every aspect, whether it is a matter of life the new model, both in the

Government sector, government work and private organizations. Both directly and indirectly affected it also has to make a lot of adjustments in order for the business to survive. And able to operate under this great change

Which in this crisis gives us the opportunity Develop business to serve more customers online. While also reiterating the operational stance.

Business under the word because we are always honest and responsible

Our business is a Financials service provider with partners and customers. Will be affected by the epidemic of Coronavirus disease (COVID-19) directly from customers who use the service with the company Lack of financial liquidity and the potential for repayment.

Decrease in installments of customers it is something that cannot be avoided. Compliance with National Bank of Cambodia policies and notices.

It is absolutely necessary we recognize the importance of regulation and announcements, flexibility, helping customers improve.

Able to waive installment payments to reduce the burden of customers' expenses to be able to survive in the current situation is important.

We expect we will be able to cope with the epidemic situation of Coronavirus disease (COVID-19) this time together in all sectors and still be able to provide

President & CEO's Message (continued)

sustainable service to partners and customers In the future, the company is ready to expand its business to meet the needs of customers.

Serve more customers in a variety of ways. And expanding branches to cover more service areas in Cambodia.

Adhering to the principles of social and community responsibility, we will work to deliver better, faster, more economical value to our customers. By developing people Develop work methods, technology and environments to suit the situation. We sincerely hope that the company will be able to grow sustainably we will definitely get through this crisis together.

3. Financial Performance Highlights

❖ ASSETS

AS AT 31 DECEMBER 2021

	2021 USD	2021 KHR'000
Property, plant and equipment	58,419	237,999
Deferred tax assets	52,834	215,246
Assets held for leasing	250,398	1,020,121
Finance lease receivables - net	3,133,276	12,764,966
Cash and cash equivalents	358,761	1,461,592
Statutory deposit	50,000	203,700
Other assets	14,900	60,703
TOTAL ASSETS	**3,918,588**	**15,964,327**

3. Financial Performance Highlights

❖ LIABILITIES AND EQUITY ACCOUNTS

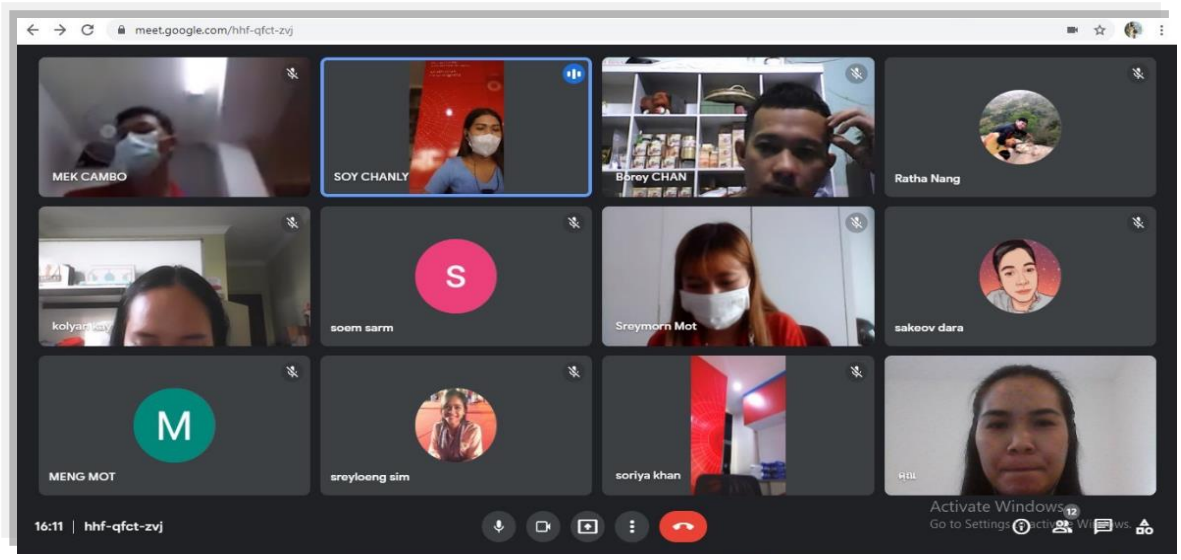
AS AT 31 DECEMBER 2021

	2021 USD	2021 KHR'000
Share capital	1,000,000	4,000,000
Regulatory reserves	410,648	1,672,980
earnings	-611,644	-2,486,170
Exchange differences	-	68,331
TOTAL EQUITY	**799,004**	**3,255,141**
LIABILITIES		
Borrowings	2,889,581	11,772,153
Amounts due to a related party	48,470	197,467
Other liabilities	36,701	149,520
Current income tax liability	144,832	590,046
TOTAL LIABILITIES	**3,119,584**	**12,709,186**
TOTAL EQUITY AND LIABILITIES	**3,918,588**	**15,964,327**

4. Social Performance



From the situation of the Covid-19 outbreak, the company has arranged a place and strictly complies with the rules to take care of the safety of members and customers who come to use the service. by arranging the place that is safe for customers and employees in the service Set up a temperature check point before entering the service every time. Company employees Set announcements as proactive inspection policies. Have all employees check ATK every 15th and 30th of every month.Allocate employees to work from home Instead of working together at the company, use online meetings to work.



Company employees Set announcements as proactive inspection policies. Have all employees check ATK every 15th and 30th of every month.

Allocate employees to work from home Instead of working together at the company, use online meetings to work.

Budget for employees to purchase essentials for living, dry food, and procurement of infection prevention equipment.

5. Key Milestones

The Company attaches importance to personnel development by enhancing skills in terms of work and customer service

The course is continually arranged to suit the personnel according to the nature of their work and the working age.

It will be prepared as a course, planning, training, individual personnel, which will be a monthly training plan prepared for the whole year.

And have a job skill test and customer service skills according to the training plan for continuous development. Have a job skill test and customer service skills according to the training plan for continuous development.



6. RPTN ALLIANCE FINANCIAL LEASING Lenders

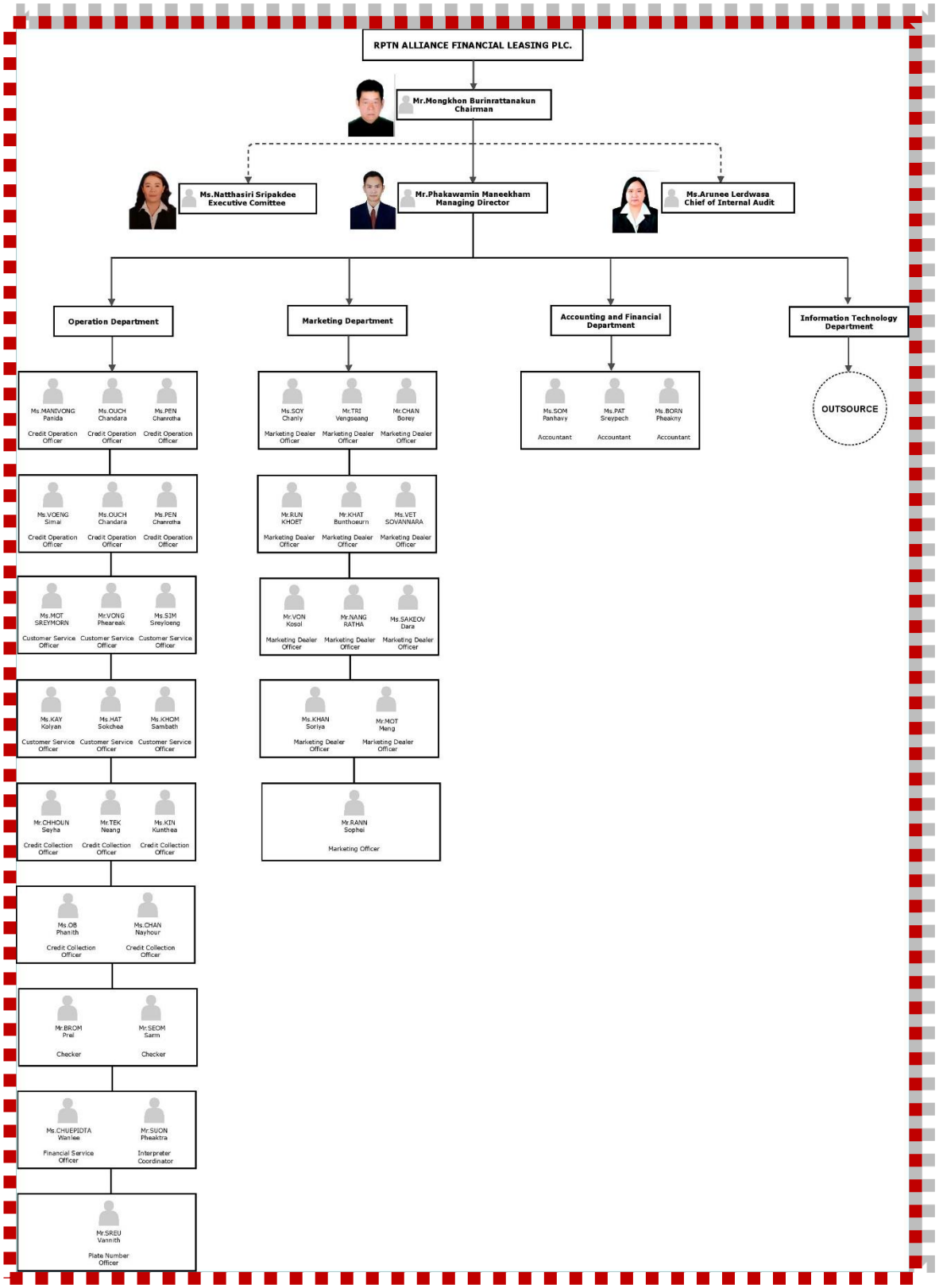
1. RuamPattana Leasing Co.,Ltd .

Ruam Pattana Leading Co., Ltd. (RPLC) has accumulated over ten years of leasing expertise. Collaborated in with our advisory AAM Capital Service Co., Ltd., one of Thailand's most powerful financial service groups with over 30 years of experience, RPLC has created RAFCO -a steady growing financial leasing company that has the full capability to accommodate Cambodian clients with undeniable financial solutions.

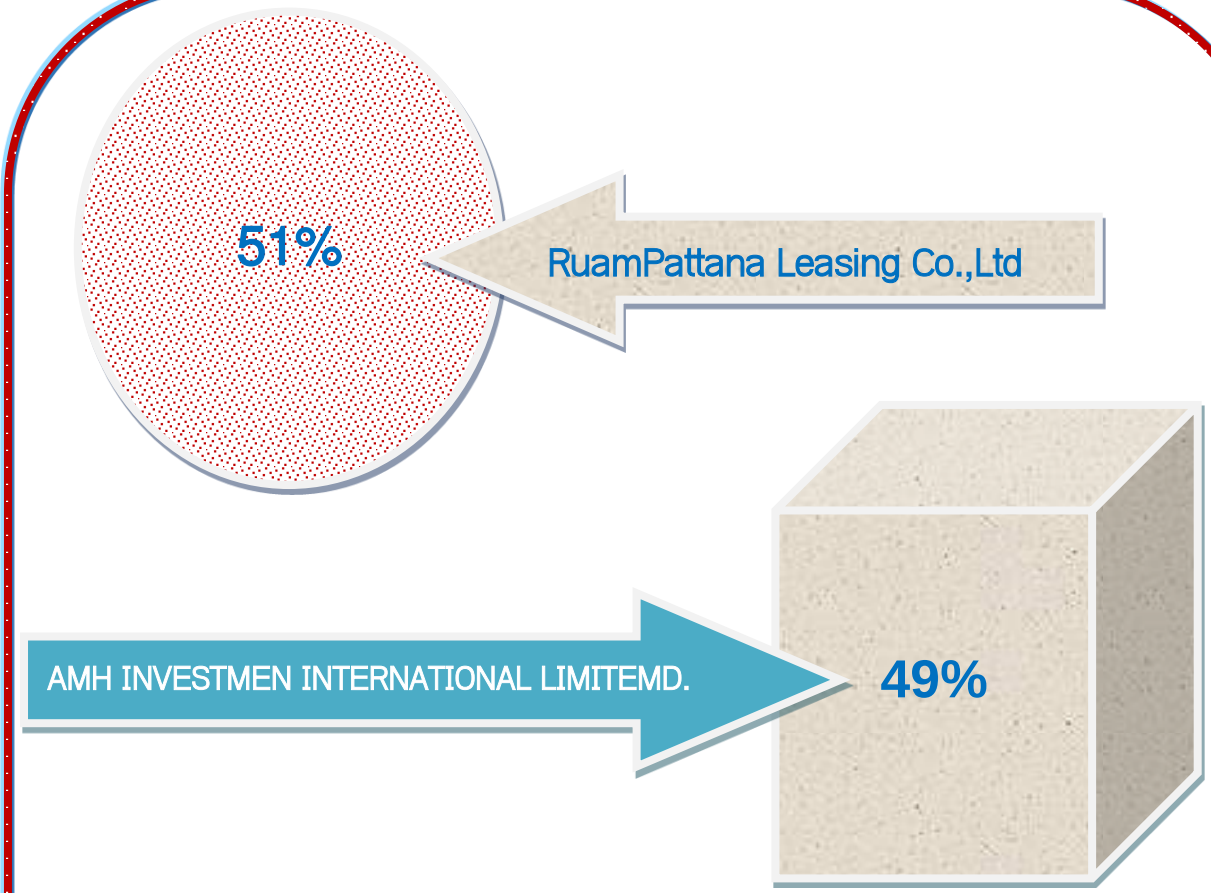
2. AMH INVESTMEN INTERNATIONAL LIMITEMD.



7. Organizational Chart



8. Shareholders





9. Board of Directors



Mr. MONGKHON BURATTANAKUN
Chairman



Mrs.RATATANA SOMPAKDEE
Director



Mr. RANAKORN NATSASI
Director



Mr .SORAPONG PAJONGSAOWAPAK
Independent Director



Mrs.SUKANY SALEANG
Director

9. Board of Directors (continued)



Mr. MONGKHON BURATTANAKUN

Chairman

SKILL AND ABILITIES

- Sales & Market — Research & Analysis
- Competitive Intelligence — Strategic Planning
- Project Management — Budget Management
- Team Building & Leadership — Engineering and Construction
- Investment — International relation

2010– Present: Deputy Director at Ruam Pattana Leasing Co.,Ltd (Laos)

- Work with Executive Director to pace and drive organization development, including analysis and implementation of priorities, partnerships, and infrastructure needs
- Integrate operating infrastructure and functions with programmatic efforts, staff, board and partners
- Serve as a senior-level thought partner, mentor, and bridge builder for organization as whole

2005–Present: Director at MEPS at MEPS Construction Limited (Thailand)

9. Board of Directors (continued)



Mrs.RATATANA SOMPAKDEE

Director

SKILL AND ABILITIES

- ❖ Sales & Market Research & Analysis
- ❖ Competitive Intelligence Strategic Planning
- ❖ Project Management Budget Management
- ❖ Team Building & Leadership Problem Solving
- ❖ Financial and Law Consultant interpersonal skills
- ❖ Discreet and confidential organizational skills

- ➢ 2015–Present: **Managing Director** at AAM Capital Service Co., Ltd.
- ➢ 2014 – 2015: **Manager** at AAM Capital Service Co., Ltd.
- ➢ 2004 – 2013: **Head of Credit Bureau** at AAM Capital Service Co.,Ltd.
- ➢ 1996 – 2003: **Loan Credit Officer** at AAM Capital Service Co., Ltd.
- ➢ 1986 - 1995: **General Service officer** at Seagate Technology (Thailand) Ltd.

1997: Bachelor of Human Resource Management at Rajabhat Rajanagarindra University

9. Board of Directors (continued)



Mr. RANAKORN NATSASI

Director

SKILL AND ABILITIES

- Sales & Market Research & Analysis
- Competitive Intelligence Strategic Planning
- Project Management Budget Management
- Team Building & Leadership Problem Solving
- Financial and Law Consultant
- 2005 – Present:**Managing Director** at AAM Capital Service Co.,Ltd.
- 2004 – 2005: **Manager of Debt Management Department** at PBP Holding Co.,Ltd.
- 2001 – 2003: **Loan Management Officer** at PBP Holding Co., Ltd.
- 1996 – 1997:**Loan Factoring Officer** at Group Lease Public Company Limited
- 1995: **Head of Security Auditor** at Group Lease Public Company Limited
- 1994: **Loan and Leasing Officer** at Group Lease Public Company Limited

2015: Doctor of Philosophy Program in Organization Development and Human Capability Management at Burapha University

2008: Master of Business Administration at Burapha University

1994: Bachelor of Laws at Dhurakij Pundit University

9. Board of Directors (continued)



Mrs.SUKANY SALEANG

Director

SKILL AND ABILITIES

- Sales & Marketing Research & Analysis
- Project Management Budget Management
- Team Building & Leadership Problem Solving
- Financial and Law Consultant

1995– Present: Manager at AAM Capital Service Co.,Ltd.

- Identify prospective tenants looking to lease a property
- Provide potential tenants the valuable features of the building in order to convince customers and influence lease
- Run background checks on potential tenants to evaluate their credit status and criminal records to determine if they are eligible occupy a building
- Maintain contact with lessees during their tenancy period to oversee their welfare and help resolve property issues
- Oversee the processing and approval of client applications and lease documents

2016 - 2016: Master of Business Administration (M.B.A)

2000 – 2002: BA of General Human Resource Management at Rajabhat Rajanagarindra University, Chachoengsao, Thailand

9. Board of Directors (continued)



Mr. SORAPONG PAJONGSAOWAPAK
Independent Director

SKILL AND ABILITIES

- Competitive Intelligence Strategic Planning
- Project Management Budget Management
- Team Building & Leadership Problem Solving
- Financial and Law Consultant Research & Analysis
- Human Resource Management Business Development

1991 – Present: Managing Director at AAM Capital Service Co., Ltd.

- Provided a hundreds of deals through investment partners, other private firms and fondles sponsors
- Managed implementation of marketing and sales based transaction systems within the company to engage, track and execute deals
- Established massive networking opportunities for firm to raise capital, source deals and find debt placement through personal relationships around the world.

1994 –1997: Bachelor of General Management at Rambhai Barni Rajabhat University

9. Board of Directors

Report of the Board of Directors (continued)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITY

The Company is principally engaged in providing financial leasing to its customers. There has been no significant change in the nature of this principal activity during the financial year.

RESULTS

	USD	KHR'000
Loss for the financial year	(471,408)	(1,917,689)

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2021.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year.

BAD AND DOUBTFUL LOANS

Before the financial statements of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and the making of allowance for doubtful loans and had satisfied themselves that all known bad loans had been written off and that adequate allowance had been made for doubtful loans.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad loans or the amount of allowance for doubtful loans in the financial statements of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realized in the ordinary course of business including their values as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realize.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

Report of the Board of Directors (continued)

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

Report of the Board of Directors (continued)

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

Name	Position
Mr. Mongkhon Burinrattanakun	Chairman
Mr. Ranakorn Natsasi	Director
Mr. Sorapong Pajongsaowapak	Independent Director
Ms. Sukanya Saleang	Director
Ms. Rattana Sompakdee	Director

HOLDING COMPANY

The directors regard AMH Investment International Limited, a company incorporated in Hong Kong, as the holding company.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

There is no significant event during the financial year.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There is no significant event subsequent to the end of the financial year.

AUDITORS

The auditors, Messrs. Baker Tilly (Cambodia) Co., Ltd., have expressed their willingness to continue in office.

Report of the Board of Directors (continued)

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors of the Company are responsible for ascertaining that the financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the financial year then ended. In preparing these financial statements, the directors of the Company are required to:

(i) adopt appropriate accounting policies in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities ("CIFRS for SMEs"), which are supported by reasonable and prudent judgements and estimates, and then apply them consistently;

(ii) comply with the disclosure requirements of CIFRS for SMEs or, if there have been any departures from such standards, in the interest of fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

(iii) maintain adequate accounting records that enable the Company to prepare its financial statements in accordance to CIFRS for SMEs and an effective system of internal controls;

(iv) prepare the financial statements on a going-concern basis unless it is inappropriate to assume that the Company will continue operations in the reasonable future; and

(v) effectively control and direct the Company and be involved in all material decisions affecting its operations and performance, and ascertain that such matters have been properly reflected in the financial statements.

The directors confirm that the Company has complied with the above requirements in preparing its financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

I, MONGKHON BURINRATTANAKUN, being one of the directors of RPTN ALLIANCE LEASING PLC., do hereby state that in the opinion of the directors, the accompanying financial statements are properly drawn up in accordance with the Cambodian International Financial Reporting Standard for Small and Medium-sized Entities ("CIFRS for SMEs") so as to give a true and fair view of the financial position of the Company as at 31 December 2021 and of its financial performance and its cash flows for the financial year then ended.

Signed on behalf of the Board of Directors,

RPTN ALLIANCE FINANCIAL LEASING PLC. KINGDOM OF CAMBODIA

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MONGKHON BURINRATTANAKUN
Director

Date: 30 JUN 2022

10. Executive Committee



Mr. PHAKAWAMIN MANEEKHAM
Managing Director



Mrs. NATTHASIRI SRIPAKDEE
Executive Committee



Mrs. ARUNEE LERDWASA
Chief of Internal Audit



Mrs. VANANYA KEDJANG
Branch Manager

11. Financial Services

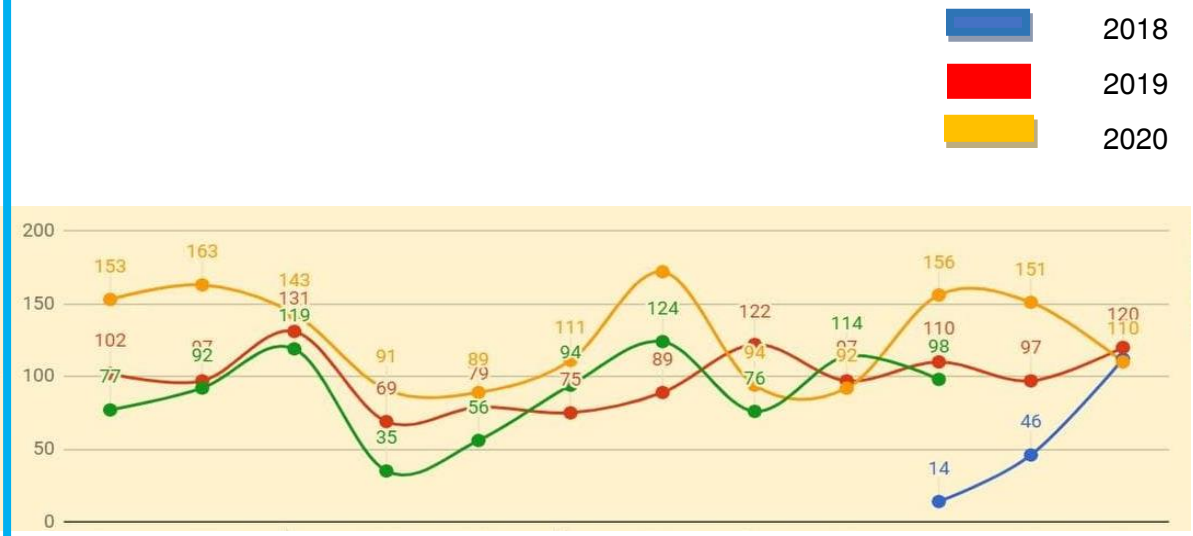
Company products and services financial services company for customers who buy new motorcycles and used cars / new tricycles and second-hand motorcycles by providing services to support customers who buy cars at motorcycle dealers.



12. Operational Performance Highlights

Total loan

ឆ្នាំ ខែ	មក រា	កុម្ភៈ	មីនា	មេ សា	ឧសភា	មីថុ នា	កក្ កដា	សីហា	កញ្ញា	តុលា	វិច្ឆិ កា	ធ្ន
2018										14	46	112
2019	102	97	131	69	79	75	89	122	97	110	97	120
2020	153	163	143	91	89	111	172	94	92	156	151	110



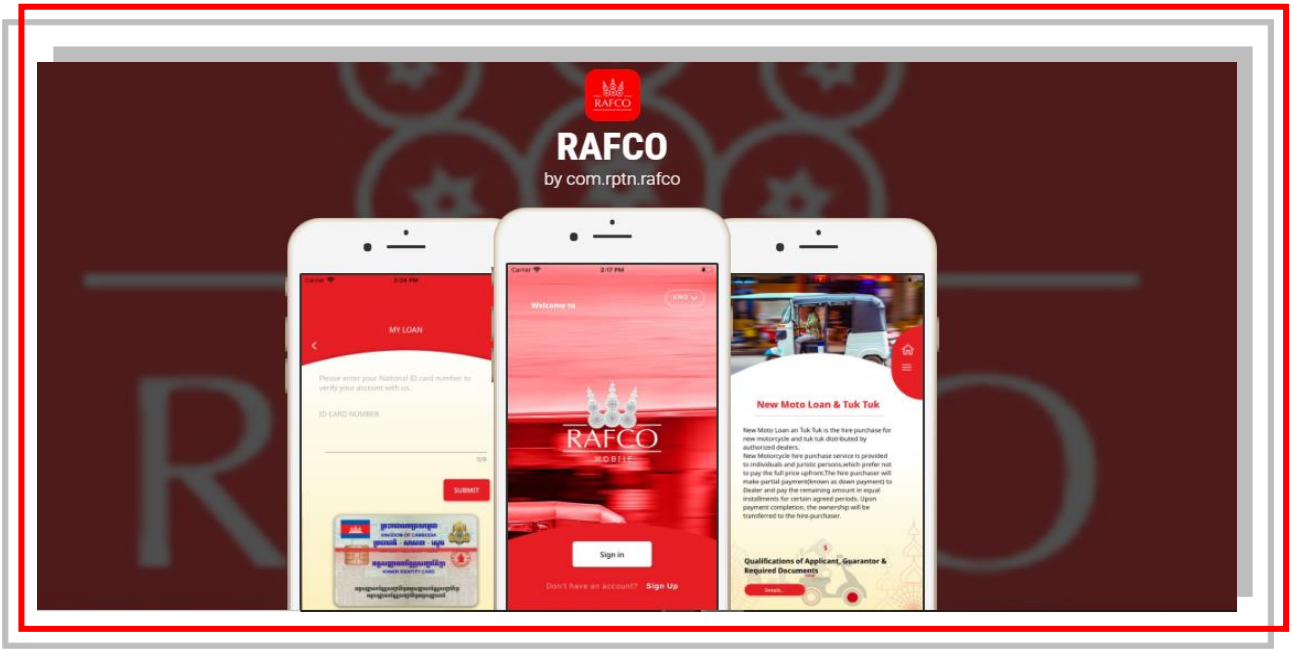
13. Marketing Activities

The company uses a variety of communication channels with its customers. to be used as a channel for service

From the number of branches that opened 2 branches, Phnom Penh Head Office and Battambang Branch There is a way to contact online

- Facebook : https://www.facebook.com/RAFCOCAMBODIA/
- Application : https://apps.apple.com/th/app/rafco/id1529562321





13. Marketing Activities (continued)

At present, the company has a customer base of more than 3,700 users of RPTN, comprising approximately 66% of customers in the Phnom Penh area, and 34% from the Battambang area.

There is a dealer shop registered with the company. Already a partner 112 Dealer Divided into dealers in Phnom Penh, 93 dealers in Battambang, 19 Dealer.



66% of customers in the Phnom Penh

34% from the Battambang



14. Social Protection

The company supports social activities. Allocate a budget and have employees donate money and things to donate Covid-19 protective equipment, necessary items to temples, schools, Students.

At the temple with Elementary School, Prayut , Battambang Province



14. Social Protection (continued)

Building a culture of "Growing Together" is a commitment and the slogan of RPTN ALLIANCE FINANCIAL LEASING with fair treatment to all staff, clients. RPTN ALLIANCE FINANCIAL LEASING has also provided many trainings to staff to better serve its clients while RPTN ALLIANCE FINANCIAL LEASING personnel policy is in place with full transparency for both internal and external stakeholders.

Total staff

ឆ្នាំ ខែ	មករា	កុម្ភៈ	មីនា	មេសា	ឧសភា	មិថុនា	កក្កដា	សីហា	កញ្ញា	តុលា	វិច្ឆិកា	ធ្នូ
2019	17	17	17	18	19	25	27	28	29	29	29	29
2020	29	29	30	34	41	46	51	51	51	54	54	55



15. Risk Management and Internal Control

In operation since opening in 2018 - 2020, RPTN Alliance Financial Leasing PLC. And continually improve our risk management system. To meet the Financial Leasing Group's standards in accordance with regulatory requirements from the National Bank of Cambodia with recommendations from the Management Committee in the Guidelines. And customer service partner service to the best standard

Finance: Cash Flow Management Liquidity and investment in business operations

Customer: Providing flexible policy and help customers who are affected by the Coronavirus disease (COVID-19) situation. Focus on negotiating with customers. Communicate with customers Help customers in difficult situations and will continue to maintain a good debtor

Process: Concentration in considering new lending in high-risk situations. That are affected by external factors such as the viral epidemic that affects small and small businesses

Continuous development and managing risks to keep up with the current situation will be able to help RPTN Alliance Financial Leasing PLC. Grow steadily and sustainably.



16. Opinion of the Independent Auditors

Baker Tilly (Cambodia) Co., Ltd.
Certified Public Accountants
No. 87, Street 294,
Sangkat Boeung Keng Kang 1,
120102, Khan Boeung Keng Kang,
Phnom Penh, Cambodia.

T: +855 23 987 100/
+855 23 987 388

info@bakertilly.com.kh
www.bakertilly.com.kh

Company No. 00035096

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RPTN ALLIANCE FINANCIAL LEASING PLC.
(Incorporated in Cambodia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RPTN ALLIANCE FINANCIAL LEASING PLC. ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of 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 5 to 34.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the financial year then ended in accordance with the Cambodian International Financial Reporting Standard for Small and Medium-sized Entities ("CIFRS for SMEs") and the guidelines issued by the National Bank of Cambodia.

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and the requirements of Kampuchea Institute of Certified Public Accountant and Auditors' Code of Ethics for Certified Public Accountants and Auditors ("KICPAA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and ethical requirements of KICPAA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

16. Opinion of the Independent Auditors (CONTINUED)

bakertilly

Company No. 00035096

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RPTN ALLIANCE FINANCIAL LEASING PLC. (CONTINUED)
(Incorporated in Cambodia)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company 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 Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Company that gives a true and fair view in accordance with the Cambodian International Financial Reporting Standard for Small and Medium-sized Entities. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, 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 have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 CISAs 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.

16. Opinion of the Independent Auditors (CONTINUED)

Company No. 00035096

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RPTN ALLIANCE FINANCIAL LEASING PLC. (CONTINUED)
(Incorporated in Cambodia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with CISAs, 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 of the Company, 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 by the director.
- conclude on the appropriateness of the director's 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 auditors' report to the related disclosures in the financial statements of the Company 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 auditors' 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 of the Company, 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, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

The financial statements of the Company for the financial year ended 31 December 2020 was audited by another firm of Certified Public Accountants, whose report dated 30 November 2021, expressed an unqualified opinion on those statements.

Baker Tilly (Cambodia) Co., Ltd.
Certified Public Accountants

Tan Khee Meng
Certified Public Accountant

Phnom Penh, Kingdom of Cambodia

Date: 30 JUN 2022

17. Statement of Financial Position

AS AT 31 DECEMBER 2021

	Note	2021 USD	2021 KHR'000	2020 USD	2020 KHR'000
ASSETS					
Property, plant and equipment	5	58,419	237,999	76,545	309,625
Deferred tax assets	6	52,834	215,246	38,090	154,074
Assets held for leasing		250,398	1,020,121	157,608	637,524
Finance lease receivables - net	7	3,133,276	12,764,966	3,753,403	15,182,515
Cash and cash equivalents	8	358,761	1,461,592	71,447	289,002
Statutory deposit	9	50,000	203,700	50,000	202,250
Other assets	10	14,900	60,703	11,600	46,922
TOTAL ASSETS		**3,918,588**	**15,964,327**	**4,158,693**	**16,821,912**
EQUITY AND LIABILITIES					
Equity attributable to owners of the company					
Share capital	11	1,000,000	4,000,000	1,000,000	4,000,000
Regulatory reserves	12	410,648	1,672,980	-	-
(Accumulated losses)/retained earnings		(611,644)	(2,486,170)	270,412	1,104,499
Exchange differences	13	-	68,331	-	34,317
TOTAL EQUITY		**799,004**	**3,255,141**	**1,270,412**	**5,138,816**
LIABILITIES					
Borrowings	14	2,889,581	11,772,153	2,699,631	10,920,007
Amounts due to a related party	15	48,470	197,467	36,920	149,341
Other liabilities	16	36,701	149,520	37,923	153,399
Current income tax liability	17	144,832	590,046	113,807	460,349
TOTAL LIABILITIES		**3,119,584**	**12,709,186**	**2,888,281**	**11,683,096**
TOTAL EQUITY AND LIABILITIES		**3,918,588**	**15,964,327**	**4,158,693**	**16,821,912**

18. Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 USD	2021 KHR'000	2020 USD	2020 KHR'000
Interest income		960,451	3,907,115	1,039,702	4,238,865
Interest expense		(72,214)	(293,767)	(37,219)	(151,742)
Net interest income		**888,237**	**3,613,348**	**1,002,483**	**4,087,123**
Fees and commission income	18	135,800	552,434	25,118	102,406
Total operating income		**1,024,037**	**4,165,782**	**1,027,601**	**4,189,529**
Impairment loss on finance lease receivables		(90,935)	(369,924)	(141,386)	(576,431)
Personnel expenses	19	(393,848)	(1,602,174)	(304,815)	(1,242,731)
Depreciation		(26,406)	(107,420)	(24,863)	(101,366)
Other operating expenses	20	(940,928)	(3,827,695)	(140,894)	(574,425)
(Loss)/profit before tax		**(428,080)**	**(1,741,431)**	**415,643**	**1,694,576**
Income tax expense	21	(43,328)	(176,258)	(84,569)	(344,788)
(Loss)/profit for the financial year		**(471,408)**	**(1,917,689)**	**331,074**	**1,349,788**
Other comprehensive income/(loss), net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation		-	34,014	-	(38,774)
Total comprehensive (loss)/income for the financial year		**(471,408)**	**(1,883,675)**	**331,074**	**1,311,014**

19. Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Share capital		Regulatory reserves		(Accumulated losses)/retained earnings		Exchange differences	Total equity	
	USD	KHR'000	USD	KHR'000	USD	KHR'000	KHR'000	USD	KHR'000
At 1 January 2021	1,000,000	4,000,000	-	-	270,412	1,104,499	34,317	1,270,412	5,138,816
Total comprehensive loss for the financial year									
Loss for the financial year	-	-	-	-	(471,408)	(1,917,689)	-	(471,408)	(1,917,689)
Transfer to regulatory reserves	-	-	410,648	1,672,980	(410,648)	(1,672,980)	-	-	-
Other comprehensive income for the financial year	-	-	-	-	-	-	34,014	-	34,014
Total comprehensive loss	-	-	410,648	1,672,980	(882,056)	(3,590,669)	34,014	(471,408)	(1,883,675)
At 31 December 2021	1,000,000	4,000,000	410,648	1,672,980	(611,644)	(2,486,170)	68,331	799,004	3,255,141

19. Statement of Changes in Equity (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Share capital		(Accumulated losses)/ retained earnings		Exchange differences	Total equity	
	USD	KHR'000	USD	KHR'000	KHR'000	USD	KHR'000
At 1 January 2020	1,000,000	4,000,000	(60,662)	(245,289)	73,091	939,338	3,827,802
Total comprehensive income for the financial year							
Profit for the financial year	-	-	331,074	1,349,788	-	331,074	1,349,788
Other comprehensive loss for the financial year	-	-	-	-	(38,774)	-	(38,774)
Total comprehensive income	-	-	331,074	1,349,788	(38,774)	331,074	1,311,014
At 31 December 2020	1,000,000	4,000,000	270,412	1,104,499	34,317	1,270,412	5,138,816

20. Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 USD	2021 KHR'000	2020 USD	2020 KHR'000
Cash flows from operating activities					
(Loss)/profit before tax		(428,080)	(1,741,431)	415,643	1,694,576
Adjustment for non-cash items:					
Interest income		(960,451)	(3,907,115)	(1,039,702)	(4,238,865)
Interest expense		72,214	293,767	37,219	151,742
Impairment loss on finance lease receivables	7	90,935	369,924	141,386	576,431
Finance lease receivables written off	20	762,280	3,100,955	-	-
Gain on disposal of property, plant and equipment		(182)	(740)	-	-
Loss on disposal of assets held for leasing		18,467	75,124	-	-
Depreciation of property, plant and equipment		26,406	107,420	24,863	101,366
Operating loss before changes in working capital		(418,411)	(1,702,096)	(420,591)	(1,714,750)
Changes in working capital:					
Assets held for leasing		(124,402)	(506,067)	(157,608)	(642,568)
Finance lease receivables - net		(125,217)	(509,383)	(1,430,777)	(5,833,278)
Capital guarantee deposit		-	-	(25,000)	(101,925)
Other assets		(3,300)	(13,424)	-	-
Amounts due to a related party	22(b)	11,550	46,985	(9,580)	(39,058)
Other liabilities		(1,222)	(4,971)	13,646	55,635
Net cash used in operations		(661,002)	(2,688,956)	(2,029,910)	(8,275,944)
Interest received		829,975	3,376,338	906,270	3,694,863
Income tax paid	17	(27,047)	(110,027)	(11,614)	(47,350)
Net cash generated from/ (used in) operating activities		141,926	577,355	(1,135,254)	(4,628,431)
Cash flows from investing activities					
Purchase of property, plant and equipment		(9,998)	(40,672)	(46,510)	(189,621)
Proceed from sale of property, plant and equipment		500	2,034	-	-
Proceed from sale of assets held for leasing		37,150	151,126	-	-
Net cash generated from/ (used in) investing activities		27,652	112,488	(46,510)	(189,621)

20. Statement of Cash Flows (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 USD	2021 KHR'000	2020 USD	2020 KHR'000
Cash flows from financing activities					
Proceeds from borrowings from related parties	22(b)	494,000	2,009,592	960,000	3,913,920
Proceeds from borrowings from non-related parties		400,000	1,627,200	250,000	1,019,250
Repayment of principal to related parties	22(b)	(214,000)	(870,552)	(120,000)	(489,240)
Repayment of principal to non-related parties		(520,000)	(2,115,360)	(375,000)	(1,528,875)
Repayments of interest		(42,264)	(171,930)	(31,026)	(126,493)
Net cash generated from financing activities		117,736	478,950	683,974	2,788,562
Net increase/(decrease) in cash and cash equivalents		287,314	1,168,793	(497,790)	(2,029,490)
Cash and cash equivalents at the beginning of the financial year		71,447	289,002	569,237	2,319,641
Effects of exchange rate changes on cash and cash equivalents		-	3,797	-	(1,149)
Cash and cash equivalents at the end of the financial year	8	358,761	1,461,592	71,447	289,002

❖ NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

RPTN Alliance Financial Leasing Plc. ("the Company") is a licensed financial leasing company, incorporated and domiciled in the Kingdom of Cambodia and registered with the Ministry of Commerce as a public limited liability company under the registration No. 00035096. On 26 September 2018, the National Bank of Cambodia granted the Company a financial leasing business license with a validity of five years allowing the Company to carry out its financial leasing business at its registered office.

The registered office and principal place of business of the Company are located at No.81E0E1E2, National Road 6A, Phum Preaek Lieb, Sangkat Preaek Lieb, Khan Chroy Changva, Phnom Penh, Cambodia.

The Company is principally engaged in providing financial leasing to its customers. There has been no significant change in the nature of this principal activity during the financial year.

The Company's shareholders are AMH Investment International Limited and Ruam Pattana Leasing Co., Ltd. with 74.5% and 25.5% ownership, respectively. AMH Investment International Limited is a private limited company duly incorporated under the laws of Hong Kong with registered number 1424492 dated 24 February 2010. Ruam Pattana Leasing Co, Ltd. is incorporated under the laws of Loas People's Democratic Republic, as a private limited company, with registered number 01-00014805 dated 13 June 2011.

The financial statements were approved and authorized for issue by the Board of Directors on 30/06/2022.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Cambodian International Financial Reporting Standard for Small and Medium-sized Entities ("CIFRS for SMEs").

2.2 Functional and presentation currency

The national currency of Cambodia is the Khmer Riel ("KHR"). However, as the Company transacts its business and maintains its accounting records primarily in United States Dollar ("USD"), the directors have determined the USD to be the Company's currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Company.

The translations of USD amounts into KHR presented in the financial statements are included solely to comply with the Law on Accounting and Auditing and have been using the prescribed official annual closing and average exchange rate of USD1 to KHR4,074 and USD1 to KHR4,068 respectively, for the financial year ended 31 December 2021 (2020: KHR4,045 and KHR4,077) as announced by the National Bank of Cambodia.

These convenience translations should not be construed as representations that the USD amounts represent, or have been or could be, converted into KHR at that or any other rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 Basis of measurement

The financial statements of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with the CIFRS for SMEs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires the directors to exercise their judgements in the process of applying the Company's accounting policies. Although these estimates and judgements are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the Company's financial statements are disclosed in Note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all financial years presented in the financial statements of the Company.

3.1 Financial assets and financial liabilities

(i) Recognition

The Company initially recognizes a financial asset or a financial liability when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

The Company classifies its financial assets and liabilities as basic financial instruments in accordance with Section 11 Basic Financial Instruments.

(iii) DE recognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or settled, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or on which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial assets and financial liabilities (continued)

(iii) DE recognition (continued)

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Amortized cost measurement

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method if any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial assets and financial liabilities (continued)

(vi) Fair value measurement (continued)

The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Identification and measurement of

impairment Objective evidence of

impairment

At each reporting date, the Company assesses whether there is objective evidence that financial assets that are measured at cost or amortized cost. A financial asset or a group financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets and that the loss event has an impact on the future cash flows of the assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Individual and collective assessment

All individually significant assets are individually assessed for impairment.

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

The individual component of the total allowance for impairment applies to the financial assets evaluated individually for impairment, and found to be individually impaired, and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgement about a lender's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the management.

A collective component of the total allowance is established for:

- groups of homogeneous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Individual and collective assessment (continued)

The collective allowance for groups of homogeneous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience.

In assessing the collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

Measurement

Impairment losses on assets measured at amortized cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Reversal of impairment and write offs

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the Company shall reverse the previously recognized impairment loss either directly or by adjusting an allowance account.

The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognized. The Company shall recognized that amount of the reversal in profit or loss immediately.

The Company writes off a loan or an investment loan security, either partially or in full, and any related allowance for impairment losses, when the management determines that there is no realistic prospect of recovery.

3.2 Property, plant and equipment

Property, plant and equipment is recognized initially at cost. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred and if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenances are charged to profit or loss during the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Property, plant and equipment (continued)

Depreciation on the assets is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

	Useful lives (year)
Leasehold improvements	20
Motor and vehicles	4
Computer and IT equipment	5
Furniture and fixtures	2

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the profit or loss.

3.3 Impairment of non-financial assets

Assets that are subjected to depreciation or amortization are assessed, at each reporting date, to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset might be impaired, the carrying value of the asset (or CGU to which the asset has been allocated) is tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.4 Assets held for leasing

Assets held for leasing comprise motorbikes and three-wheeler vehicles. Assets held for leasing are recognized as an asset and are stated at lower of costs and net realizable value.

Costs include costs of purchase and any other directly attributable costs.

Net realizable value is the estimate of the selling price in the ordinary course of business, less the estimated costs to sell the asset.

3.5 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Statutory deposits

Statutory deposits represent capital guarantee deposit and cash maintained with the National Bank of Cambodia in compliance with the Law on Banking and Financial Institutions. Statutory deposits are not available to finance the Company's day-to-day operations hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

Balance with National Bank of Cambodia are carried at amortized cost using the effective interest method in the statement of financial position.

3.7 Other assets

Other assets are carried at amortized cost using the effective interest method in the statement of financial position.

3.8 Other liabilities

Other liabilities are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

3.9 Share capital

Ordinary shares are classified as equity.

Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3.10 Regulatory reserves

Regulatory reserves are set up for the variance of provision between loan impairment in accordance with CIFRS for SMEs and regulatory provision in accordance with National Bank of Cambodia's Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on Credit Risk Classification and Provision on Impairment for Banks and Financial Institutions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Regulatory reserves (continued)

Based on these NBC's Guidelines, all loans to customers are classified according to the repayment capacity of the counterparty and the number of days past due is taken into account as follows:

Classification	Number of days past due	Allowance
Short-term loans (less than or equal one year):		
Normal/standard	<15 days	1%
Special mention	15 days – 30 days	3%
Substandard	31 days – 60 days	20%
Doubtful	61 days – 90 days	50%
Loss	≥91 days	100%
Long-term loans (more than one year):		
Normal/standard	<30 days	1%
Special mention	≥30 days – 89 days	3%
Substandard	≥90 days – 179 days	20%
Doubtful	≥180 days – 359 days	50%
Loss	More than 359 days	100%

In accordance to the Prakas, the Company shall compare the provision calculated in accordance to CIFRS for SMEs and the regulatory provision, and:

(i) In the case whereby the regulatory provision is lower than provision calculated in accordance with CIFRS for SMEs, the Company records the provision calculated in accordance with CIFRS for SMEs; and

(ii) In the case whereby the regulatory provision is higher than provision calculated in accordance with CIFRS for SMEs, the Company records the provision calculated in accordance with CIFRS for SMEs and transfer the differences from retained earnings to the regulatory reserve in the shareholders' equity under the statement of the financial position.

3.11 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Interest

Interest income and expense are recognized 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 financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial 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 transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

3.13 Fees and commission

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

Other fees and commission income are recognized as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognized on a straight-line basis over the commitment period.

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

Fees and commission are presented as net in the statement of comprehensive income.

3.14 Employee benefits

Short-term employee benefits obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave, and non-monetary benefits are recognized as an expense in the profit or loss when the employees have rendered their services to the Company.

3.15 Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Current and deferred tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Current and deferred tax assets and liabilities are offset where there is a legally enforceable right to offset and the Company can demonstrate without undue cost and effort that it plans to either settle on a net basis or to realize the asset and settle the liability simultaneously.

Current and deferred tax are recognized in profit or loss, except to the extent that they relate to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

3.17 Foreign currencies translation

Foreign currency transactions during the financial year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognized in profit and loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the dates the fair value was determined.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amounts recognized in the financial statements include the following:

4.1 Business model assessment

Finance lease receivables represent finance leases to customers whereby the customers maintain ownership of the assets originally and during the loan term. Although these operational arrangements with customers appeared to be loan transactions, Management believes that the Company operates in the scope of financial leasing as defined in Prakas No. B7-011-241 on Financial Leasing Business issued by the NBC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.2 Allowance for impairment losses on finance lease receivables

The Company makes allowance for impairment losses on finance lease receivables based on the assessment of their recoverability. Impairment is applied on finance lease receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses the estimated amount and timing of cash flows as well as net realizable value of the underlying collateral value, when making judgement to evaluate the adequacy of impairment. Where expectations differ from the original estimates, the differences would impact the carrying amount of finance lease receivables to customers.

4.3 Income tax

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the financial year in which such determination is made.

The income tax expense of the Company is disclosed in Note 21 to the financial statements

4.4 Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax losses carried forward can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or

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