Annual Report 2020

WE GROW WITH YOU

Tisa Community Finance

TABLE OF CONTENTS

CHAIRMAN'S REPORT

MOSES KOIRI, LLM

Dear Shareholder,

On behalf of Tisa Community Finance Limited's (TCFL) Board and Management, I am honoured to present to you the Company's inaugural Annual Report for the financial year ended 31 December 2020. In only our 4th year of operations, this is a milestone for TCFL to be able to present its annual performance and position to its shareholder, Teachers Savings and Loan Society Limited (TISA).

As you will be aware, TCFL was established by TISA to provide to TISA members and SMEs financial services and products and ultimately to be the vehicle through which TISA would become a fully-fledged bank. It is the connection to the ordinary citizens of Papua New Guinea (PNG) though our Shareholder that drives the Board and Management at TCFL to deliver the best possible experience at a time when commercial banks are withdrawing from PNG.

The adverse impact of the Covid-19 pandemic on PNG with substantial disruption to people's lives and to businesses, as is being experienced all over the world, presents new challenges for business operations. TCFL remained robust despite the government imposed 14 days lock-down and three months loan repayment moratorium during the first half of the year in 2020. Notwithstanding these subdued economic conditions, TCFL has performed reasonably well this year. Our after-tax profit was K2.033m a small increase on last year's figure of K1.309m.

Notable achievements during the year include:

- Launching our commercial lending segment in the last quarter to target Micro, Small to Medium Enterprises (MSME). This is a great initiative implemented and endorsed by the Board under TISA Group's strategic objective to diversify the Company's business operations; and
- Lodging our application in November 2020 to the Central Bank, Bank of Papua New Guinea (BPNG) to upgrade our current licence to a fully-fledged commercial banking licence.

Financial Results during the year include:

- Net interest income grew by 118.4% to K11.782m
- Net profit after tax grew by 55.29% to K2.032m
- Capital adequacy ratios (including Tier 2) being well above prudential standards. Tier 1 at 78.3% (BPNG required 8%) and Tier 2 was 80.5% (BPNG required 12%).
- Non-performing loans at 4.42% YoY.

The focus of the Board and Management has always been the best interests of you, the Shareholder. From a strategic perspective the Board remains committed to building capacity so as to work towards our strategic objective of becoming a fully-fledged commercial bank.

Given these challenging times where the effects of the COVID-19 pandemic will most likely lead to an economic slowdown in the foreseeable future, we, as an up and coming financial institution have to plan and strategize to position ourselves to ensure that we deploy all our resources in ways that will enable us to remain resilient

CHAIRMAN'S REPORT

and agile in delivering on our financial mandate given to us by you, our owner.

I would like to formally acknowledge and thank the entire TISA Group family for their loyal support and dedication in assisting TCFL to deliver credible performance during challenging economic conditions.

I leave TCFL after four years as chairman and I thank TISA for considering me worthy to be entrusted with such a role in an entity that will, in the fullness of time, become a pivotal catalyst for TISA's entire existence.

In that time, one of our founding directors, the late Materua Kapi passed on. I wish to record our gratitude to Materua's family for his contribution to TCFL. During my time, I have been ably supported by my colleague directors, who I also wish to take this opportunity to thank for all of their dedication, diligence, hard work, and support towards a noble and worthy venture that is TCFL.

Finally, I wish to record my warmest appreciation to our stakeholders, particularly our Shareholder, customers and partners for their continued support and trust in TCFL.

Moses Koiri, LLM
Chairman of the Board of Directors
TISA Community Finance Limited

TISA Chairman, Mr. Gabriel Tai handing over the TISA Community Finance Limited Banking Licence Certificate to TCF Chairman, Mr. Moses Koiri.

CHIEF EXECUTIVE OFFICER'S REPORT

KARAI MOREA

It is with great pleasure that I present the inaugural CEO's report for the financial year ended 31 December 2020.

Tisa Community Finance Limited (TCFL) is wholly owned by ordinary Papua New Guinea citizens through Teachers Savings and Loan Society Limited (TISA). TCFL was setup to provide tailored and affordable financial products and services to meet the needs of ordinary citizens and local MSME and SME. TCFL operates out of TISA's network of 17 branches to reach as many clients as possible.

This year, TCFL reached a milestone, launching its business loan products targeted at the MSME segment. The first loan was disbursed in August 2020, marking the start of the commercial lending business for TCFL. This also was the beginning of TCFL diversifying its income and loan product portfolio.

The events of 2020 will no doubt be remembered for the impact on us individually, our families, our communities, our nation and the world. Like other businesses in PNG, TCFL's operations were affected by government imposed lockdowns and the uncertainties brought on by the COVID-19 pandemic. One thing that stood out was TCFL's action to support the needs of its clients during these challenging times. Impacted clients were allowed loan repayment holidays for up to three months under the Covid-19 arrangement authorized by our regulator, the Central Bank of Papua New Guinea (BPNG). During the first half of 2020, lending activities began to experience the impact of the COVID-19 virus and Government's intervention to control the pandemic. However, lending improved towards the end of the year.

Not with standing the impact of the COVID-19, TCFL delivered a reasonable performance in year 2020, with Net Interest Income growth of 118.4% **(K11.782m)** from **K5.394m** in 2019. Our profit after-tax was **K2.033m (2019: K1.309m),** an increase by 55.3%. Net loan book increased by 65.5% to **K39.538m (2019: K23.891m).** On the investment front, Government Debt Securities increased by 53.8% to **K19.283m (2019: K12.539m).**

TCFL will continue to monitor the developments of these external events and strengthen our resiliency. We maintain a strong financial position with resources and capabilities to support our clients and ultimately deliver value for our shareholder. Our priority will continue to focus on providing affordable financial solutions for our valued clients through our products and services.

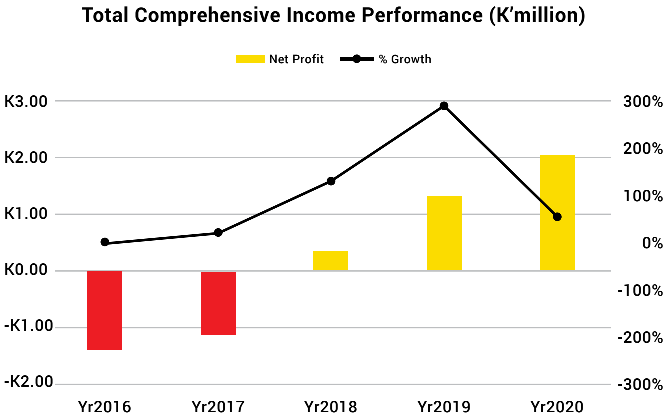
We are committed to deliver on our shareholders strategic initiative to become a fully-fledged commercial bank in the near future. This initiative has been partially met in November 2020 when we submitted our application to BPNG, to upgrade our current license (Licensed Financial Institution) to a full banking license. With the support from our parent company, TISA, we will collaborate to accomplish this strategic initiative.

I would now like to share the key financial performance highlights for TCFL for the year ended 31 December 2020.

CHIEF EXECUTIVE OFFICER'S REPORT

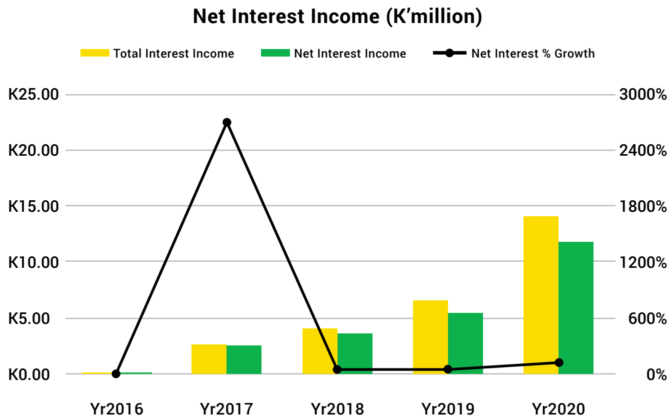
Total Comprehensive Income Performance

TCFL recorded a Total Comprehensive Income of **K2.033m** for the year, an increase of 55% from the previous year. TCF has maintained consistent growth in Total Comprehensive Income over the last five years.



Net Interest Income

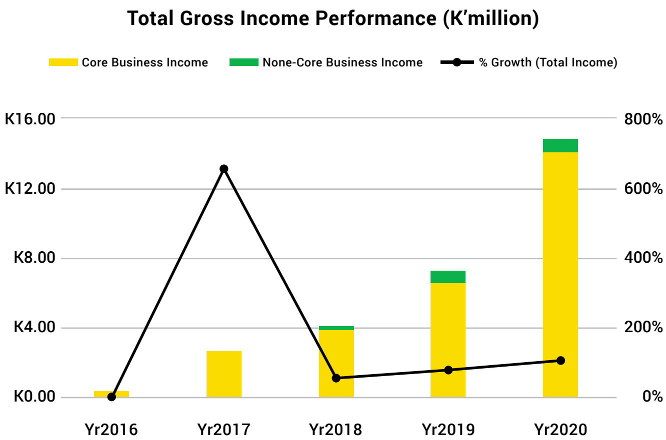
Net interest Income was **K11.782m** for 2020, a growth of 118% from 2019 **(K5.394m).**



Total Gross Income

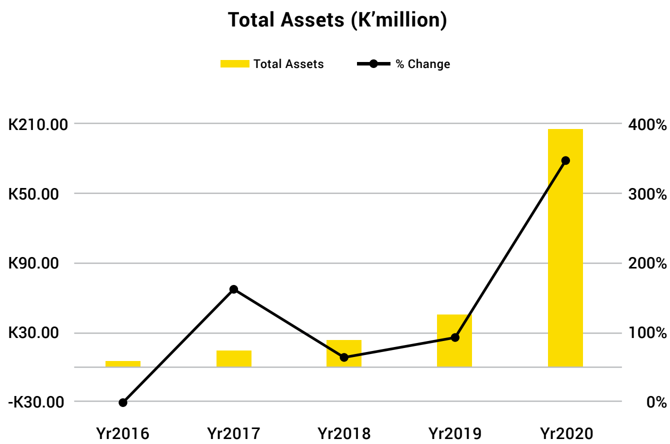
Total Gross Income for TCF continues to grow each year. The Total Gross Income grew by 105% from **K7.225m** in 2019 to **K14.811m** in 2020. The growth in Total Gross Income is attributed to growth in loan volumes as interest rates have remained unchanged for the year.

Core business income from lending and short term investments constituted 95% **(K14.062m)** of total income for the year.



Total Assets

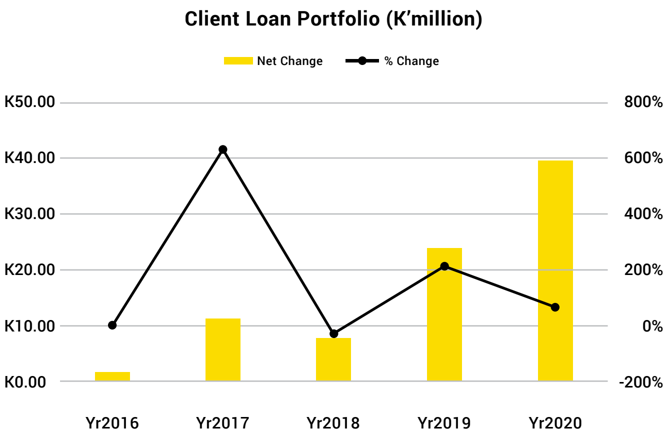
Total assets grew by **K159.534m** closing at **K205.101m** for the year. Growth was mainly due to increase in loan book, receivables arising from share subscription from parent company and capital works-in-progress.



CHIEF EXECUTIVE OFFICER'S REPORT

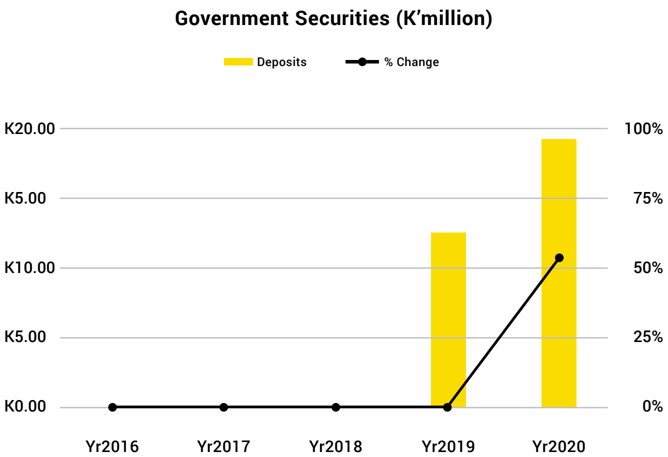
Loan Portfolio

The net loan book grew by 65% from **K23.891m** in 2019 to **K39.538m** in 2020. This growth in the loan book has reflected a corresponding growth in gross interest income for the year.



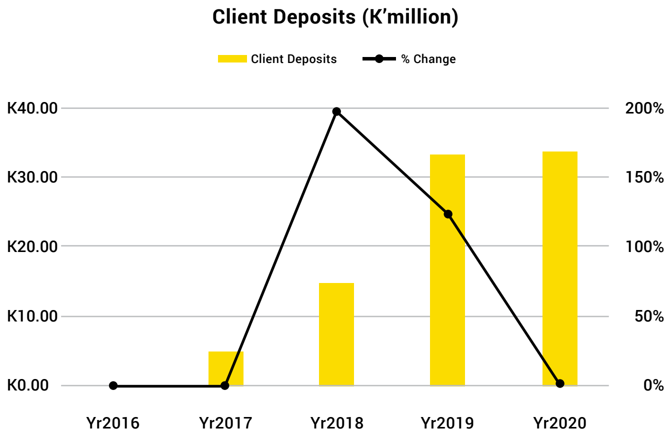
Deposits Held To Maturity

As part of its liquidity management, TCFL holds short-term investments with the Bank of Papua New Guinea. These grew by 54% from **K12.539m** in 2019 to **K19.283m** in 2020.



Client Term Deposits

As a Licensed Financial Institution (LFI), TCFL accepts term deposits from the public, including individuals and private and state-owned enterprises. This source of funds grew from **K33.227m** in 2019 to **K33.673**m in 2020.



Acknowledgement

I would like to thank the staff for their commitment and dedication during this challenging period to work incredibly hard to support each other and most importantly, our clients.

Finally, I would also like to express my gratitude to the Board and Shareholder for their ongoing support and leadership in the 2020 financial year.

Karai Morea
Acting Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT AS AT 31 DECEMBER 2020

The Board

The Board is responsible for the overall management and strategic direction of the Company. The Board operates in accordance with the powers and functions set out in the constitution and exercises its powers by performing the following functions:

- Develop the overall business strategy of the Company, including asset and investment management, risk management and operational matters;
- Approve the overall business strategy and annual budgets of the Company;
- Provide proper oversight to accounting, fiduciary, regulatory and operational practices of the Company;
- On an ongoing basis, critically monitor the effectiveness of the business strategies and the effectiveness of management in delivering those strategies;
- Appoint, assess performance and if necessary, removal of Chief Executive Officer;
- Appoint the Company Secretary; after
- Develop and set policies covering lending, investment, procurement and capital expenditure;
- Develop and set policies covering essential human resources issues such as hiring and dismissal, terms of employment, minimum standards of conduct, performance expectations, occupational health and safety, training and development; and
- Perform other functions and duties consistent with the constitution.

The Board has delegated the responsibility of administering the Company's day-to-day business operations to the Chief Executive Officer and has ensured that it does not encroach upon those areas of day-to-day operational activities that are clearly the responsibility of management.

All Board members are independent non-executive directors. Directors are elected by shareholders for a term of three years with the eligibility for re-appointment.

Each Director must satisfiy the criteria under the constitution, the *Banks and Financial Institutions Act 2000,* and *Companies Act 1997.* The Directors also need to satisfy the Fit and Proper criteria required by the Central Bank of Papua New Guinea under prudential standard BPS 300 (Corporate Governance). All Directors have met the requirements for the purpose of eligibility of being a Director. No Director had any material interest in any contract or arrangement with the Company or any related entity during the year.

The Directors of the Board during the year are provided in financial note 28.1 to the financial statements.

Board Committee

An Audit and Risk Compliance Committee exists to assist the Board by providing an objective non-executive review of the effectiveness of the Company's financial reporting, audit function and risk management and compliance framework.

The Audit and Risk Compliance Committee's responsibilities include:

- Financial Reporting
- External Audit
- Internal Audit and Internal Control
- Risk Management
- Risk Measurement and Risk Tolerance levels
- Risk Appetite
- Regulatory, Compliance and Ethical Matters
- Insurance Program
- Any other functions as delegated by the Board

The current members of the Audit and Risk Compliance Committee are Mr. Simon Woolcott (as Chairman) and Ms. Karo Lelai (as member). The Company Secretary also serves as secretary to the Committee.

The Board may establish ad hoc Committees from time to time to consider matters of special importance or to exercise the delegated authority of the Board.

Board and Committee Meetings

The Board usually meets as it resolves or the Chairman determines, provided it meets at least once every quarter. A minimum of four meetings are required be held in a financial year. Special meetings of the Board are held as and when required.

CORPORATE GOVERNANCE STATEMENT AS AT 31 DECEMBER 2020

The Audit and Risk and Compliance Committee is required to hold a minimum of four meetings in a financial year.

Board Access to Information and Advice

All Directors have access to the Company's records and information and receive quarterly detailed financial and operational reports to enable them to carry out their duties.

Divisional reports are presented to the Board on a quarterly basis. The Chairman and Directors also have the opportunity to meet with the Chief Executive Officer and other members of the Executive Management for further consultation to discuss issues associated with the fulfilment of their roles as Directors.

Remuneration

The Board receives remuneration approved by the shareholders. There are no other benefits received by the Directors. Directors aggregrate remuneration for the year is provided in financial note 28.2.

Disclosure of Material Interest by Directors

A Director is required to disclose any material interest in a matter under consideration, or about to be considered, by the Board at a duly constituted Board meeting in order for the Board to determine if a Director has a direct or indirect material interest.

This disclosure is recorded in the minutes and the Director is physically excused from any deliberations or decisions by the Board on this matter. The Director will also be disregarded for purposes of constituting a quorum of the Board in regard to the deliberations or decisions by the Board on this matter.

A material interest exists, without limitation, where a Director:

a. is a party to, or will or may derive a material financial benefit from, a transaction involving the company or a business enterprise in which the Company has an interest; or
b. has a material financial interest in another party to a transaction involving the Company or a business enterprise in which the Company has an interest; or
c. Has a close relative who is such a party or who will or may derive a material financial benefit, or has such a material financial interest.

External Auditor

The annual audit of the Company's financial report and compliance with prudential standards is performed by KPMG (PNG).

KPMG were appointed as the TISA Group's external auditor in 2016 for a period of three years up to the year ended 2019. The appointment was extended for a further two (2) years after approval was sought from the Bank of PNG and shareholders. The extension of the engagement of KPMG ensured that the Group was compliant with the prudential standard BPS 7/2005 (External Auditors) issued by The Company's results were historically audited as part of the TISA Group following BPNG approval and this is the first standalone audited financial statements for the Company.

Internal Audit

An internal audit function exists, using the services of the Audit and Risk Department of TISA, to deal with the areas of internal control, compliance and regulatory compliance only. The internal audit function reports directly to the Board Audit and Risk Compliance Committee, making recommendations to the committee for improvements to the Company's operations and internal controls. This role is also supplemented by other external compliance reviews performed, including security audits on the data processing systems/centres for adequacy of the back up, disaster recovery and internet security systems.

Regulation

The Company is regulated by:

- Central Bank of Papua New Guinea (BPNG) for the prudential risk management of the Company and adherence to the *Banks and Financial Institutions Act 2000;* and
- Investment Promotion Authority for adherence to the *Companies Act 1997.*

Legal matters and Society Lawyers

A legal divison exists, using the services of the Legal Divison of TISA, to deal with the areas of debt recovery,

DIRECTOR'S REPORT

litigation and other legal matters. The Company engaged Ashurst PNG to provide advice about and prepare certain loan documentation.

The Directors of Tisa Community Finance Limited (the "Company") submit herewith the annual financial report of the Company for the financial year ended 31 December 2020. In order to comply with the provisions of the *Companies Act 1997* and *Bank and Financial Institutions Act 2000,* the directors report as follows:

Principal activities

The Company is a Licenced Financial Institution ("LFI") regulated by the Bank of Papua New Guinea ("BPNG") under the *Bank and Financial Institutions Act 2000* and is primarily involved in providing financial services which includes receiving term deposits and issuing loans.

Registered office

The Company is a limited liability company incorporated and domiciled in Papua New Guinea. The Company's registered address is Level 1, TISA Haus, Sir John Guise Drive, Waigani, NCD, Papua New Guinea.

Review of operations

The Company's total comprehensive income after taxation is K2.033m (2019: K1.309m).

Dividends to shareholders

No dividend has been declared and paid for the year ended 31 December 2020 (2019: K Nil).

Directors

The directors who have served on the Board during 2020 and to the date of this report are: -

Mr. Moses Koiri (Chairman), resigned on 5 March 2021
Mr. Michael Koisen (Vice Chairman)
Ms. Karo Lelai
Dr. Peter Mason
Mr. Simon Woolcott
Mr. Ian Clyne, appointed on 18 March 2021
Mr. Anthony Smare, appointed on 18 March 2021
Mr. Paul Komboi, appointed on 18 March 2021

Directors' remuneration

Disclosure has been made in note 28.2

Remuneration above K100,000 per annum

Disclosure has been made in note 28.1

Company secretary

The Tisa Community Finance Limited ("TCF") Corporate Secretary is Philip Hehonah.

Directors' eligibility

No director had any material interest in any contract or arrangement with TCF or any related entity during the year.

Changes in State of Affairs

During the year, TCF has issued additional share capital to its parent, TISA. Disclosure has been made at note 22, Share Capital. The receivable for these shares will be settled by way of assets to be transferred subsequent to period end.

Auditor

KPMG was appointed as auditor for the year ended 31 December 2020. Details of amounts paid to the auditor for audit and other services are shown in note 10 to the financial statements.

Signed at Port Moresby, NCD this 28th day of May 2021.

Signed in accordance with a resolution of the Directors.

....

Director
Mr. Michael O. Koisen, OBE ML

....

Director
Mr. Simon Woolcott

TCF DIRECTORS

Mr. Moses Koiri, LLM
Chairman
(resigned on 5 March 2021)

Mr. Michael Koisen, OBE ML
Vice Chairman

Dr. Peter Mason
Director

Ms. Karo Lelai
Director

Mr. Simon Woolcott
Director

STATEMENT BY DIRECTORS

In the opinion of the Directors of Tisa Community Finance Limited:

1. (a) the statement of profit or loss and other comprehensive income of the Company is drawn up so as to give a true and fair view of the results of the Company for the year ended 31 December 2020;

   (b) the statement of financial position of the Company is drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2020;

   (c) the statement of changes in equity of the Company is drawn up so as to give a true and fair view of the changes in equity of the Company for the year ended 31 December 2020;

   (d) the statement of cash flows of the Company is drawn up so as to give a true and fair view of the cash flows of the Company for the year ended 31 December 2020;

   (e) at the date of this statement there are reasonable grounds to believe the Company will be able to pay its debts as and when they fall due; and

   (f) all related party transactions have been adequately disclosed in the attached financial statements.

2. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted in Papua New Guinea and the Papua New Guinea Companies Act 1997 and have been drawn up in accordance with the requirements of the Bank and Financial Institutions Act 2000.

Signed at Port Moresby, NCD this 28th day of May 2021.

Signed in accordance with a resolution and on behalf of the Directors.

Director
Mr. Michael O. Koisen, OBE ML

Director
Mr. Simon Woolcott

Independent Auditor's Report

To the shareholder of Tisa Community Finance Limited

Report on the audit of the Financial Report

Opinion

We have audited the Financial Report of Tisa Community Finance Limited (the "Company").

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Companies Act 1997*, including:

- giving a true and fair view of the Company's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- complying with *International Financial Reporting Standards*.

The Financial Report comprises:

- statement of financial position as at 31 December 2020;
- statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and
- notes including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the *International Standards on Auditing*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the *Companies Act 1997* and the ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the Financial Report in Papua New Guinea. We have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that we have remained independent as required by the Code throughout the period of our audit and to the date of this Auditor's Report.

Other Information

Other Information is financial and non-financial information in Tisa Community Finance Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with the *International Financial Reporting Standards* and the *Companies Act 1997*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is 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 *International Standards on Auditing* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

As part of the audit in accordance with *International Standards on Auditing*, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, 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 controls.

KPMG

Auditor's responsibilities for the audit of the Financial Report (continued)

- 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 management.
- Conclude on the appropriateness of management'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 report 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 report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

We also provide those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

The *Companies Act 1997* requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the Financial Report for the year ended 31 December 2020:

- We have obtained all the information and explanations that we have required; and
- In our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

KPMG
Chartered Accountants

Suzaan Theron
Partner
Registered under the Accountants Act 1996

Port Moresby
28 May 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	2019
		K	K
Interest and similar income	8	14,061,796	6,544,386
Interest expense	8.1	(2,279,876)	(1,150,753)
Net Interest income		**11,781,920**	**5,393,633**
Other income	8.2	748,969	679,980
Total income		**12,530,889**	**6,073,613**
Staff costs		(2,939,291)	(1,868,417)
Impairment losses on loans	9	(1,444,419)	(236,708)
Operating expenses	10	(5,372,432)	(2,247,689)
Total Expenses		**(9,756,142)**	**(4,352,814)**
Profit from operations before taxation		**2,774,747**	**1,720,799**
Income tax expense	21.1	(742,070)	(411,857)
Profit for the year after taxation		**2,032,677**	**1,308,942**
Other comprehensive income/(loss)			
Revaluation of land and buildings		-	-
Total comprehensive income for the year		**2,032,677**	**1,308,942**

The notes on pages 19 to 47 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Notes	2020	2019
		K	K
Assets			
Cash and cash equivalents	15	14,588,901	6,573,454
Net loans	14	39,537,982	23,890,789
Government securities	13	19,282,690	12,538,570
Receivables	16	124,777,558	484,740
Property and equipment	11	2,656,605	2,265,079
Capital work in progress	12	3,945,004	-
Net deferred tax	21.3	312,007	94,602
Total assets		**205,100,748**	**45,847,234**
Liabilites			
Deposits	18	33,672,754	33,226,600
Creditors and accruals	19	1,110,212	4,355,841
Employee provisions	17	196,000	93,771
Lease Liablity	20	1,919,326	1,624,226
Income tax	21.2	922,982	-
Total liabilities		**37,821,274**	**39,300,438**
Net assets		**167,279,474**	**6,546,796**
Equity			
Share capital	22	166,700,001	8,000,001
Retained earnings		579,473	(1,453,205)
Total equity		**167,279,474**	**6,546,796**

The notes on pages 19 to 47 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020

	Note	Share Capital	Retained Earnings	Total
		K	K	K
Balance at 1 January 2019		**8,000,001**	**(2,762,147)**	**5,237,854**
Total comprehensive income for the year after taxation		-	1,308,942	**1,308,942**
Balance at 31 December 2019		**8,000,001**	**(1,453,205)**	**6,546,797**
Issue of shares during the year	22	158,700,000	-	158,700,000
Total comprehensive income for the year after taxation		-	2,032,677	2,032,677
Balance at 31 December 2020		**166,700,001**	**579,473**	**167,279,474**

The notes on pages 19 to 47 are an integral part of these financial statements.

STATEMENT OF CASH FLOW AS AT 31 DECEMBER 2020

	Note	2020	2019
		K	K
Cash flows from operating activities			
Interest received on loans		13,101,683	5,509,391
Net rental and other income		748,969	679,980
Interest on IBDs and debt securities		647,069	1,034,995
Net loans		(17,091,613)	(17,159,947)
Net members savings deposited		446,154	9,698,600
Interest paid to depositors		(1,740,970)	(738,627)
Payments to employees and suppliers		(6,011,612)	(9,874,986)
Income taxes paid		(273,017)	-
Net cash flow used in operating activities		**(10,173,337)**	**(10,850,594)**
Cash flows from investing activities			
Net purchase of Government Securities		(6,744,120)	(12,538,570)
Change in term deposit from public and TISA		23,974,154	18,359,678
Payments for investment in property and equipment and Capital Work in progress		(4,336,531)	(2,869,244)
Net cash flow from investing activities		**12,893,503**	**2,951,864**
Cash flows from financing activities			
Lease payments		(696,960)	(649,451)
Capital contribution from parent company		5,992,241	-
Net cash flow from/(used in) financing activities		**5,295,281**	**(649,451)**
Net increase/(decrease) in cash and cash equivalents		**8,015,447**	**(8,548,181)**
Cash and cash equivalents at the beginning of the year		6,573,454	15,121,635
Cash and cash equivalents at the end of the year	15	**14,588,901**	**6,573,454**

The notes on pages 19 to 47 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

1. Reporting

Tisa Community Finance ("TCF") is domiciled in Papua New Guinea. The Company's registered office is TISA Haus, Waigani, NCD, Papua New Guinea. The company is primarily involved in the provision of financial services which include receiving term deposits and issuing loans.

The financial statements have been authorised for issue by the Board of Directors on 28 May 2021.

2. Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the Accounting Standards Board of Papua New Guinea ("ASB"), the requirements of the Papua New Guinea Companies Act 1997.

Basis of measurement
Fair value accounting is used for investments at fair value through profit and loss. In all other cases, a historical cost basis of accounting is used. Revenues and expenses are brought to account on an accrual basis.

The prior year comparative figures have been restated wherever necessary to conform to the current year's presentation of financial statements.

3. Functional currency

The financial statements are presented in the Papua New Guinea currency, the Kina, which is the Company's functional currency.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Company makes 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.

The areas involving significant estimates or judgements are:

(1) Significant increase in credit risk
(2) Estimated expected credit loss allowance for loans to clients

Going concern basis
The financial statements have been prepared on a going concern basis which assumes that the Company will be able to meet its liabilities and obligations as and when they fall due in the normal course of the business.

5. Accounting policies and disclosures

The Company has consistently applied the accounting policies to all periods presented in the financial statements.

6. Other standards

A number of new standards and amendments to standards are effective for accounting periods beginning after 1 January 2021 and earlier application are permitted, however, the Company has not adopted them in preparing this financial statements.

The following amended standards are not expected to have a significant impact on the Company's financial statements:

- Business Combinations (Amendments to IFRS 3)
- Property, Plant and Equipment Proceeds before Intended Use (Amendments to IAS 16)
- COVID-19 Related Rent Concessions (Amendments to IFRS 16)
- Amendments to Reference to Conceptual Framework in IFRS Standards
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Definition of Material Misstatements (Amendments to IAS 1 and IAS 8)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

7. Significant accounting policies

(a) Revenue recognition

i. 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 financial 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 transaction costs and fees 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.

Interest income and expense presented in the statement of profit or loss and other comprehensive income using the effective interest method includes interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

ii. Fees and commission
Fees and commission income and expenses 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 – including account servicing fees and sales commission are recognised 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 recognised on a straight-line basis over the commitment period. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

7. Significant accounting policies (continued)

(a) Revenue recognition (continued)

iii. Change in Fair Value of Financial Assets
Change in fair value of financial assets comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes.

(b) Leases
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company acting as a lessee
At commencement or on modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of its relative stand alone price. However, for leases of branches and office premises, the company has elected not to separate non - lease components and accounts for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use of asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use of asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use of asset is periodically reduced by impairment losses, if any, adjusted for certain re-measurements of the lease liability.

The lease liability is measured at an amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the profit or loss if the carrying amount of the right-of-use of asset has been reduced to zero. The Company presents right-of-use assets in Property and Equipment and lease liabilities in Creditors and Accruals.

Company acting as a lessor
At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Company acts as a lessor, it determines at lease inception whether the lease is a finance lease or operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying assets. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

7. Significant accounting policies (continued)

(b) Leases (continued)

Company acting as a lessor (continued)

The Company applies the de-recognition and impairment requirements in IFRS 9 to the net investment in the lease. The company further regularly reviews estimated unguaranteed residual values used in calculating the gross investments in the lease.

(c) Income Tax

Income tax expenses comprises of current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous year.

Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purpose. Deferred tax is not recognised for the following temporary differences: the initial recognition of assists or liabilities in the transaction that is not business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries to the extent that is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rate that are expected to be applied to temporary differences when they reserve, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liability are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income tax levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on the basis or their tax assets and liabilities will be released simultaneously.

Deferred tax assets is recognised for unused tax losses, tax credits and deductable temporary differences to the extent that it is probable that future taxable profit will be available against which they can utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be released.

(d) Financial instruments

(i) Recognition and initial measurement

The company initially recognises loans and advances and deposits on the date on which they are originated. All other financial instruments including regular way purchases and sales of financial assets are recognised on the trade date which is the date on which 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, for an item not at Fair Value through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

7. Significant accounting policies (continued)

(d) Financial instruments (continued)

(i) Recognition and initial measurement (continued)

Financial assets
On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL
These assets are subsequently measured at fair value. Net gains, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by any impairment losses. Interest income and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

(ii) Classification and subsequent measurement

Debt investments at FVOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

7. Significant accounting policies (continued)

(d) Financial instruments (continued)

(iii) De-recognition

A financial asset is derecognised when the company loses control over the contractual rights that comprise the asset. This will occur when the rights are realised, expired or surrendered. A financial liability shall be derecognised when it is extinguished.

The company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(v) Amortised cost measurement

The amortised 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 of any difference between the initial amount recognised and the maturity amount minus any reduction for impairment.

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.

(vi) Fair value measurement

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.

Financial instruments
The company recognises loss allowances for expected credit losses ('ECL') on financial assets measured at amortised cost and loan commitments issued. No impairment loss is recognised on equity investments.

The company measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

7. Significant accounting policies (continued)

(d) Financial instruments (continued)

(vi) Fair value measurement (continued)

The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The company considers a financial asset to be in default when:
– the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or
– the financial asset is more than 90 days past due.

(vii) Identification and measurement of impairment

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Expected credit loss impairment model

The company's allowance for credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either
(i) over the following twelve months or
(ii) over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination.

Stage 1 - a 12 month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a PD is used that corresponds to remaining maturity.

Stage 2 - When a financial asset experiences a SICR subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Credit loss allowances are higher in this stage because of an increase in risk and impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3 - Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses.

7. Significant accounting policies (continued)

(d) Financial instruments (continued)

(vii) Identification and measurement of impairment (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

The probability of default (PD), exposure at default (EAD) and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are closely related with credit losses in the relevant portfolio. Details of key statistical parameters/inputs are as follows: -

Probability of Default (PD) - is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognised and is still in the portfolio.

Exposure at Default (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, whether scheduled by contract or otherwise, expected drawdowns on committed facilities and accrued interest from missed payments.

Loss Given Default (LGD) - is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the company would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Forward- looking information
The estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information may require significant judgement.

Macroeconomic factors
The recovery of the Company's loan book is predominantly payroll deduction and recovery through collateral if goes into arrears. For the purpose of the IFRS 9 model assumptions the following macro-economic activities that affect payroll deductions and therefore loan book recovery and quality are: -

- fiscal deficit and its ability to pay its employees
- investment in public sector especially
- salary budgets which include salary adjustments
- government sector employment growth
- inflation, and
- personal income tax

Multiple forward - looking scenarios
The company determines its allowance for credit losses using three probability-weighted forward-looking scenarios. The company considers both internal and external sources of information and data in order to achieve unbiased projections and forecasts.

7. Significant accounting policies (continued)

(d) Financial instruments (continued)

(vii) Identification and measurement of impairment (continued)

Probability of Default Weighting

Base Case	Upturn	Downturn
70%	25%	5%

The 'base case' represents the most likely outcome. The upturn scenario represents more optimistic outcome while the downturn represents more pessimistic outcomes. The company has identified and documented key drivers of credit risk and credit losses for each portfolio or financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

Assessment of significant increase in credit risk
At each reporting date, the company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information and the impact of forward-looking macroeconomic factors.

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

(viii) Reversal of impairment and write-offs:

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

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash at bank, and other short-term highly liquid investments with initial maturities of less than three months.

(f) Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable repayment terms that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

Loans and advances and initially recognised at fair value plus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest method.

7. Significant accounting policies (continued)

(g) Investment securities

Investment securities are accounted for in the following manner:

i. Fair value through profit or loss:
The Company designates some investment securities as at fair value, with fair value changes recognised immediately in profit or loss.

ii. At cost:
Unquoted equity securities whose fair value cannot be measured reliably are carried at cost.

iii. Other fair value changes, other than impairment losses are recognised in Other Comprehensive Income and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

(h) Property and equipment

i. Recognition and measurement:
Items of property and equipment, except land, are measured at cost less accumulated depreciation and accumulated impairment losses except land and buildings which are required to be revalued based on the company's policy of every three years. After recognition as an asset, an item of land and building, which fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses.

Revaluation changes shall be accounted for as follows: -

- if an asset's carrying amount increased, it shall be recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve, the increase shall be recognised in profit and loss to the extent that it requires a revaluation decrease of the same asset previously recognised in profit or loss.

- if an asset's carrying amount decreased as a result of a revaluation, the decrease shall be recognised in profit and loss, or the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the asset revaluation reserve in respect of that asset. The decrease is recognised in other comprehensive income reduces the amount of accumulated equity under the heading of asset revaluation reserve.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

ii. Subsequent costs:
Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

7. Significant accounting policies (continued)

(h) Property and equipment (continued)

iii. Depreciation:
Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the company will obtain ownership by the end of the lease term. Land is not depreciated.

Classes of assets	Useful lives
Motor vehicles	4 - 5 years
Office equipment	4 - 5 years
Furniture and fittings	5 - 10 years
Property (excluding land)	20 - 40 years
Computer software	3 - 5 years
Right of Use of Asset	2 - 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(i) Software

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development the capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life.

Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is 3-5 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

For impairment testing assets are grouped together into the smallest group of assets that generates cash inflows from a continuing use that is largely independent of the cash inflows of other assets or CGUs.

7. Significant accounting policies (continued)

(j) Impairment of Non-Financial Assets (continued)

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Deposits

Deposits are initially measured at fair value minus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest method.

(l) Provisions

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(m) Employee benefits

i. Defined contribution plans:
Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. This benefit is earned as part of salaries and wages.

ii. Other long-term employee benefits:
The Company's net obligation in respect of long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

iii. Termination benefits:
Termination benefits are expensed as at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs from a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

iv. Short term employee benefits
Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid 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 estimated reliably.

7. Significant accounting policies (continued)

(n) Reserves

Asset revaluation reserve captures any appreciation in property and equipment accounted for under the revaluation model over the initial cost of acquiring the item.

8. Interest and similar income

	2020 K	2019 K
Interest income – loans	13,101,683	6,435,824
Interest income – IBDs and debt securities	960,113	108,562
Total interest income	**14,061,796**	**6,544,386**

8.1 Interest expense

Interest expense	(2,148,274)	(1,102,907)
Interest expense on lease liability	(131,602)	(47,846)
Total interest expense	**(2,279,876)**	**(1,150,753)**

Interest expense on deposits is accrued and credited to the deposit accounts at the end of each month.

8.2 Other income

	2020 K	2019 K
Net loan processing and account administration fees	661,747	556,139
LPI insurance commission and other income	38,350	93,764
Doubtful debts recovered	48,872	30,077
Total other income	**748,969**	**679,980**

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

9. Impairment of financial assets at amortised cost

	2020 K	2019 K
Impairment on loans at amortised cost	(1,444,419)	(236,708)
	(1,444,419)	**(236,708)**

10. Operating expenses

Surplus for the year was arrived at after charging (crediting) the following items to the statement of profit or loss and other comprehensive income.

	2020 K	2019 K
Auditor's remuneration - statutory audit services	90,000	-
Bank charges	6,356	4,539
Depreciation	854,592	1,081,160
Electricity	-	51,046
Insurance	-	20,420
Travel, airfare and accommodation	571,961	100,858
Security costs	-	880
Printing and stationery	109,230	53,316
Fuel	2,590	16,064
Advertising & promotion	844,875	403,347
Entertainment	3,659	-
Telephone	107,017	28
Repair and maintenance	40,758	44,256
Motor vehicle expenses	44,034	165,607
Filing and legal cost	16,082	-
Subscription and license	28,247	16,410
Consultancy & professional fees	1,746,606	6,946
Cleaning	-	10,419
Board fees and allowances	116,250	152,411
General and administrative expenses	790,175	119,982
Total operating expenses	**5,372,432**	**2,247,689**

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

11. Property and equipment

	ROU - Asset K	Furniture & fittings K	Office equipment K	Motor vehicles K	Other equipment K	Total K
Cost or valuation						
Balance at 1 January 2020	918,058	1,419,148	363,276	452,047	10,340	3,162,869
Additions	943,036	-	303,083	-	-	1,246,119
Disposals	-	-	-	-	-	-
Balance at 31 December 2020	**1,861,094**	**1,419,148**	**666,359**	**452,047**	**10,340**	**4,408,988**
Accumulated depreciation and impairment losses						
Balance at 1 January 2020	579,826	1,109	29,653	284,347	2,856	897,791
Depreciation for the year	619,800	141,915	36,721	55,122	1,034	854,592
Disposals	-	-				-
Balance at 31 December 2020	**1,199,626**	**143,024**	**66,374**	**339,469**	**3,890**	**1,752,383**
Carrying amounts at 31 December 2020	**661,468**	**1,276,124**	**599,985**	**112,578**	**6,450**	**2,656,605**
Cost or valuation						
Balance at 1 January 2019	-	543,753	73,160	268,393	10,340	895,646
Additions	918,058	1,419,148	290,116	278,532	-	2,905,854
Disposals	-	(543,753)	-	(94,878)	-	(638,631)
Balance at 31 December 2019	**918,058**	**1,419,148**	**363,276**	**452,047**	**10,340**	**3,162,869**
Accumulated depreciation and impairment losses						
Balance at 1 January 2019	-	131,481	17,690	194,863	1,822	345,856
Depreciation for the year	579,826	18,986	11,963	96,665	1,034	708,474
Disposals	-	(149,358)	-	(7,181)	-	(156,539)
Balance at 31 December 2019	**579,826**	**1,109**	**29,653**	**284,347**	**2,856**	**897,791**
Carrying amounts at 31 December 2019	**338,232**	**1,418,039**	**333,623**	**167,700**	**7,484**	**2,265,079**

12. Work in Progress

	2020	2019
	K	K
Opening balance	-	-
Additions during the year	13,445,231	-
Reclassification during the year	(9,500,227)	-
Closing balance	3,945,004	-

Capital work in progress ('WIP') relates to major refurbishment and on-going work on the company's leased assets and major projects. The current work in progress predominantly relates to improvements to office and branch network and Paradise Haus fit outs.

13. Government securities

	2020	2019
	K	K
Treasury bills	19,282,690	12,538,570
Total Government securities	**19,282,690**	**12,538,570**

Government debt securities investments are treasury bills that have maturity of more than 90 days from the balance date and provide a return ranging from 4.41% to 7.20% per annum.

Interest receivables have been recorded in Note 18.

14. Loans

The effective interest rates charged to customers vary from 15% to 25% per annum depending on the loan type. These loans are repayable over various periods. Interest receivable on loans is capitalized to the loan balance.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

14. Loans (continiued)

	2020	2019
	K	K
Loans and provisioning		
Loans receivable	40,720,331	24,750,509
ECL Allowance for impairment losses	(1,182,349)	(859,720)
Net loans	**39,537,982**	**23,890,789**

Allowance for impairment losses		
Opening balance	859,720	1,468,011
Increase/(Decrease) in provisions	1,549,344	(270,782)
Bad debts written off	(1,226,715)	(337,509)
Closing balance	**1,182,349**	**859,720**

15. Cash and cash equivalents

	2020	2019
	K	K
Cash and cash equivalents		
Cash on hand and at bank	14,588,901	6,573,456
Total cash and cash equivalents	**14,588,901**	**6,573,456**

The Company does not have a credit facility with any bank. It operates a number of accounts with Bank of South Pacific Limited with the main operating account used for general administration and loan payments.

16. Receivables

	2020 K	2019 K
Other debtors	16,831	415,636
Less: Allowance for other debtors	-	-
Net other debtors	**16,831**	**415,636**
Intercompany - Parent *	124,075,783	-
Prepayments	371,899	69,104
Interest receivable	313,045	-
Subtotal prepayments, interest and other receivables	**124,760,726**	**69,104**
Total receivables	**124,777,558**	**484,740**

* The balance of K124,075,783 is made up of receivables from parent company of K123,858,653 and other receivables of K217,130. The receivables largely relate to shares issued during the year.

17. Employee provisions

	2020 K	2019 K
Employee provisions		
Annual leave	148,858	54,729
Long service leave	47,142	39,042
Total employee provisions	**196,000**	**93,771**

18. Deposits

	2020 K	2019 K
Deposits		
Short term deposit	33,468,198	26,313,000
Long term deposit	204,556	6,913,600
Total deposits	**33,672,754**	**33,226,600**

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

19. Creditors and accruals

	2020	2019
Creditors and accruals	**K**	**K**
Accrued expenses	617	-
Trade creditors	-	222,774
Sundry creditors	676,769	-
Intercompany - TISA	-	3,443,197
Accrued interest expense	412,126	689,870
Group tax	20,700	-
Total creditors and accruals	**1,110,212**	**4,355,841**

20. Lease liability

	2020	2019
	K	**K**
Lease Liablity	1,919,326	1,624,226
Total lease liablity	**1,919,326**	**1,624,226**

21. Income tax

21.1 Income tax expense

	2020	2019
	K	**K**
Current tax	1,064,741	330,122
Adjustments in the previous year	-	-
Deferred tax expense	(322,671)	81,735
	742,070	**411,857**
Accounting profit before tax	2,774,747	1,720,799
Tax on the profit for the year at 30%	832,424	516,240
Taxation effect of permanent differences		
- Non-deductible items	232,317	4,917
- Non-taxable items	-	-
Dividend rebate	-	-
Adjustments in the previous year	-	(191,035)
	1,064,741	**330,122**

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

21. Income tax (continued)

21.2 Income tax payable

Opening balance of income tax	-	-
Current tax payable	1,064,741	330,122
Adjustments in the previous year	131,258	-
Offset of withholding taxes	-	-
Offset against taxation loss	-	(330,122)
Payments during the year	(273,017)	-
Closing balance of income tax	**922,982**	**-**

21.3 Deferred tax balance

Deferred tax assets and deferred tax liabilities as at 31 December 2020 and 2019 are attributable to the items as details in the table below: -

As at 31 December 2020	**Asset**	**Libility**	**Net**
	K	**K**	**K**
Provisions	413,505	-	413,505
Prepayments	-	(90,833)	(90,833)
Other	-	(10,664)	(10,664)
	413,505	**(101,497)**	**312,007**
As at 31 December 2019			
Provisions	78,725	-	78,725
Prepayments	-	(4,376)	(4,376)
Other	20,253	-	20,253
	98,978	**(4,376)**	**94,602**

22. Capital

	2020	**2019**
	K	**K**
Opening balance	8,000,001	**-**
Issued and fully paid 42,841,348 ordinary shares at K1.00 each	34,841,347	8,000,001
Issued and not fully paid 123,858,653 ordinary shares at K1.00 each	123,858,653	-
(2019: 8,000,001 ordinary shares at K1.00 each)	166,700,001	8,000,001

22. Capital (continued)

TCF issued additional shares of 158,700,000 at K1.00 each to its parent entity, TISA. During the year, TISA fully paid 34,841,347 shares at K1.00 each with various assets vested as at 31 December 2020.

The balance of K123,858,643 (123,858,643 shares at K1.00 each) is recognised as receivables from the parent company, TISA to TCF as at 31 December 2020. The payment of the share subscription is through asset vesting.

23. Financial instruments and risk management

The TCF's activities expose it to a variety of financial risks, including the effects of changes in market prices and interest rates. The TCF monitors these financial risks and seeks to minimize the potential adverse effects on the financial performance of the TCF. The TCF does not use any derivative financial instruments to hedge these exposures.

23.1 Financial risk factors

Risk management is carried out by executive management under policies approved by the Company entities' Board of Directors. TCF caters for the funding of its members and invests to cater for this. The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Credit risk

Credit risk is the potential risk of loss arising from failure of a debtor or counterparty to meet their contractual obligations. The Company is subject to credit risk through its lending and investing and provision of goods and services on credit terms. The Company's primary exposure to credit risk arises through the provision of lending facilities. The amount of credit exposure in this regard is represented by the carrying amounts of the loans and advances on the statement of financial position. In addition, the Company is exposed to off balance sheet credit risk through commitments to extend credit. Deposits are only made with banks known to have sound financial standing. Loans and advances are made after appropriate credit and security checks and they are monitored and reviewed.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2020 K	2019 K
Assets bearing credit risk		
Cash and cash equivalents	14,588,901	6,573,454
Rental and other receivables	124,777,558	484,740
Net Loans	39,537,982	23,890,789
Total assets	**178,904,441**	**30,948,983**

23. Financial instruments and risk management (continued)

23.1 Financial risk factors (continued)

Credit risk (continued)

	2020	2019
	K	K
Loans		
Loans backed by collaterals	2,213,610	-
Loans without collaterals	38,506,721	24,750,509
Total assets	**40,720,331**	**24,750,509**

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets

	2020	2019
	K	K
Stage 1-12 month ECL	38,057,185	22,473,872
Stage 2 - Life time ECL	863,902	1,126,109
Stage 3 - Life time ECL	1,799,244	1,150,528
Gross carrying amount	40,720,331	24,750,509
Allowance for credit loss	(1,182,349)	(859,720)
Net carrying amount	39,537,982	23,890,789

The following table shows reconciliations from opening to the closing balances of the allowance for credit loss. The basis for determining transfers due to changes in credit risk is set out in the accounting policy, see Note 7, (d), (vi).

	Stage 1	Stage 2	Stage 3	Total
	K	K	K	K
Balance as at 1 January 2020	348,519	92,125	419,075	859,720
Transfer to Stage 1	(49,340)	(33,221)	(57,080)	(139,641)
Transfer to Stage 2	55,494	(3,998)	84,233	135,729
Transfer to Stage 3	370,393	92,196	(21,848)	440,741
Net remeasurements	(513,121)	(64,328)	1,359,478	782,029
New financial assets purchased	301,377	9,783	19,327	330,487
Write offs	-	-	(1,226,715)	(1,226,715)
Balance as at 31 December 2020	**513,322**	**92,557**	**576,470**	**1,182,349**

23.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and when the clients redeem their time deposits. The consequence may be the failure to meet obligations to repay clients and fulfill commitments to lend.

The Company is restricted by the exchange controls of BPNG in terms of offshore investments (BPNG has imposed limits on amounts that can be invested offshore). As PNG's capital market is not mature, the majority of the company's local investments do not have any significant sizable trading activities. These investments include PNG Government and quasi government securities which are held to maturity and there is very little opportunity for the Company to dispose or trade these investments.

The table below summaries the maturity profile of the Company's financial assets and liabilities as at 31 December 2020 and 2019 based on contractual repayment obligations.

	Total	At Call	0-3 mnths	3 mnths-1 Yr	1-5 Yrs	More than 5 Yrs	Weighted Average Rate p.a
	K	K	K	K	K	K	%
31 December 2020							
Assets							
Cash and cash equivalents	14,588,901	14,588,901	-	-	-	-	nil
Receivables	124,777,558	-	-	124,777,558	-	-	nil
Net loans	39,537,982	-	1,254,795	1,547,682	35,007,430	1,728,075	20%
Government debt securities	19,282,690	-	11,682,530	7,600,160	-	-	6%
Total undiscounted cash inflows	**198,187,131**	**14,588,901**	**12,937,325**	**133,925,400**	**35,007,430**	**1,728,075**	
Liabilities							
Deposit	33,672,754	-	186,229	27,910,156	5,576,370	-	5.40%
Creditors and accruals	1,110,212	-	533,014	-	577,198	-	nil
Lease liability	1,919,326	-	-	1,919,326	-	-	nil
Income tax	922,982	-	-	922,982			nil
Employee provisions	196,000	-	-	148,858	47,142	-	nil
Total undiscounted cash outflows	**37,821,274**	**-**	**719,242**	**30,901,322**	**6,200,710**	**-**	
Net Surplus/ (exposure) 2020	**160,365,857**	**14,588,901**	**12,218,083**	**103,024,078**	**28,806,721**	**1,728,075**	

23. Financial instruments and risk management (continued)

23.2 Liquidity risk (continued)

	Total	At Call	0-3 mnths	3 mnths-1 Yr	1-5 Yrs	More than 5 Yrs	Weighted Average Rate p.a
	K	K	K	K	K	K	%
31 December 2019							
Assets							
Cash and cash equivalents	6,573,454	6,573,454	-	-	-	-	nil
Loans receivable	484,740	-	-	484,740	-	-	nil
Net loans	23,890,789	-	-	52,252	23,833,093	5,444	20%
Quoted shares	-	-	-	-	-	-	nil
Government debt securities	12,538,570	-	2,981,430	4,885,500	4,671,640	-	
Total undiscounted cash inflows	**43,487,553**	**6,573,454**	**2,981,430**	**5,422,492**	**28,504,733**	**5,444**	
Liabilities							
Deposits	33,226,600	-	3,400,000	3,513,600	26,313,000	-	5.42%
Creditors and accruals	4,355,841	-	(659,400)		5,015,241	-	nil
Lease liability	1,624,226	-	-	1,624,226	-	-	nil
Income tax	-	-	-	-	-	-	nil
Employee provisions	93,771	-	-	54,729	39,042	-	nil
Total undiscounted cash outflows	**39,300,438**	**-**	**2,740,600**	**5,192,555**	**31,367,283**	**-**	
Net Surplus/ (exposure) 2019	**4,187,115**	**6,573,454**	**240,830**	**229,937**	**(2,862,550)**	**5,444**	

23.3 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

23. Financial instruments and risk management (continued)

23.3 Interest rate risk (continued)

Fixed rate instruments (financial assets)

	2020	2019
	K	K
Treasury bills	19,282,690	12,538,570
Net Loans	39,537,982	23,890,789
Total interest-bearing assets	**58,820,672**	**36,429,359**

The above instruments are all held to maturity and are revalued on an amortized cost basis and consequently there is no interest rate risk associated with these instruments.

Fixed rate instruments (financial liabilities)

	2020	2019
	K	K
Client Deposits	33,672,754	33,226,600
Total interest-bearing liabilities	**33,672,754**	**33,226,600**

Client Deposits earn fixed interest at 3.25% to 6.50% per annum depending on the term.

23.4 Other market price risk

Other market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than the interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As the Company's financial instruments are carried at fair value with changes recognized in the statement of comprehensive income, changes in market conditions affecting fair value will be recognized.

23. Financial instruments and risk management (continued)

23.5 Loans Receivable

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash, deposits, investments and loans to members - the carrying amount of these is equivalent to their fair value;
- For investments refer note 5;
- Deposits are recognized at inception at fair value and subsequently at amortized cost.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments and investment assets by valuation techniques:

- Level 1: derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs)

24. Employees

The number of people employed by the Company as at 31 December 2020 is 40 (2019: 30).

25. Capital Adequacy

The Company is required to comply with various prudential standards issued by the Bank of Papua New Guinea (BPNG), the official authority for the prudential supervision of banks and similar institutions in Papua New Guinea. One of the most critical prudential standards is the capital adequacy requirement. All banks and financial institutions are rquired to maintain at least the minimum acceptable measure of capital to risk-weighted assets to absorb potential losses. BPNG follows the prudential guidelines set by the Bank of International Settlements under the terms of the Basel Accord. The BPNG revised prudential standard 1/2003, Capital Adequacy, prescribes ranges of overall capital ratios to measure whether the financial institution in under, adequately or well capitalised and also applies the leverage ratio capital.

As at 31 December 2020, the Company's total adequacy ratio and leverage capital ratio satisfied the capital adequacy criteria for ""well capitalised"". The minimum capital adequacy requirements set out under the standard are: Tier 1 8%, total risk based capital ratio 12% and the leverage ratio 6%. The measure of capital used for the purpose of the prudential supervision is referred to as base capital. Total base capital varies from the balance of capital shown on the Statement of Financial Position and is made up of Tier 1 capital (core) and tier 2 capital (supplementary). Tier 1 is obtained by deducting from equity capital and audited retained earnings (or losses), intangibles asets including deferred tax assets. Tier 2 capital cannot exceed the amount of tier 1 capital and can include subordinated loan capital, sepcified asset revaluation reserves, un-auidted profits (or losses) and a small percental of general loan loss provisions. The leverage capital ratios is calculated as Tier 1 capital divided by total assets on the balance sheet.

Risk weighted assets are derived from on-balance sheet and off-balance sheet assets. On balance sheet assets are weighted for credit risk applying weightings (0%, 20%, 50% and 100%) according to risk classification criteria set by the BPNG. Off-balance sheet exposures are risk weighted in the same manner after converting them to on-balance sheet credit equivalents using BPNG specified credit conversion factors.

25. Capital Adequacy (continued)

	2020	2019
	K	K
Core capital ('000)	166,700	5,238
Supplementary capital ('000)	4,693	6,547
Risk weighted assets ('000)	212,820	27,037
Total assets (less goodwill, intangible assets, future income tax benefit operating losses carried forward and encumbered assets)	171,393	23,383
Tier 1 Risk based capital ratio (Core capital/Risk weighted assets)	78.3%	19.4%
Total risk based capital ratio (Supplementary capital/Risk weighted assets)	80.5%	24.2%
Leverage capital ratio (Core capital/Total tangible assets)	81.3%	11.6%
Required Tier 1 Risk based capital ratio minimum	8.00%	8.00%
Required Total risk based capital ratio minimum	12.00%	12.00%
Required Leverage capital ratio minimum	12.00%	12.00%

26. Retirement benefits

The Company participates in the National Superannuation Fund of Papua New Guinea in respect of its national employees. The employer contribution rate is 12%. Employer contribution during the year amounted to K245,401 (2019: K86,615).

27. Related parties

The total value of the loans that are made to staff and directors as at 31 December 2020 is K2,759,077 (2019: K1,273,933). The interest rate, security and repayment terms on these loans are consistent with the normal terms extended to clients who are not either directors or staff. TISA owns 100% of the share capital in subsidiary TCF. Intercompany transactions, including a term deposit of K5,000,000 (2019: K23,528,000) made from TISA to TCF.

As at 31 December 2020, TCF has recognised a receivable from parent company, TISA in the amount of K123,858,653.

Total deposits by directors and staff amounted to K12,081 (2019: K Nil).

28.1 Key management personnel remuneration

The number of employees or former employees, not being directors of the Company, whose total remuneration and the value of other benefits receive, exceeded K100,000, falls within each relevant K50,000 band of income as follows:

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

28.1 Key management personnel remuneration (continued)

	2020 No.	2019 No.
K100,000 – K149,999	1	1
K150,000 – K199,999	-	-
K200,000 – K249,999	-	-
K250,000 – K299,999	-	-
K300,000 – K349,999	1	1
K350,000 – K399,999	-	-
K400,000 – K449,999	-	-
K450,000 – K499,999	-	-
K500,000 – K549,999	-	-
K550,000 – Above	1	1
	3	3

The specified executives of TCF during the year were:

- Ashokkumar Valechha – Chief Executive Office, resigned on 21 January 2021
- Karai Morea - Head of Commercial Lending/ Acting Chief Executive Officer appointed on 22 January 2021
- Francis Pahun – Head of Recovery & Retail Lending

The specified Directors of TCF during the year were: -

- Mr. Moses Koiri (Chairman), resigned 05 March 2021
- Mr. Michael Koisen (Vice Chairman)
- Ms. Karo Lelai
- Dr. Peter Mason
- Mr. Simon Woolcott

Specified executives and directors' remuneration in aggregate:

	Salary & fees K	Bonus K	Non-monetary K	Superannuation K	Prescribed benefits K	Other K	Options K	**Total** K
Specified Executives								
2020	1,189,803	-	9,750	51,794	259,995	-	-	1,511,342
2019	1,227,369	-	9,750	51,794	259,995	-	-	1,548,908
Specified Directors								
2020	125,000	-	-	-	-	-	-	125,000
2019	125,000	-	-	-	-	-	-	125,000

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

28.2 Transactions with directors

Other than remuneration, the directors and secretary of the Company had an aggregate aggregate loan balance of K1,724,594 (2019: KNil). The loans are subject to the normal lending policy requirements of the company.

29. Contingencies and capital commitments

The Company has received a number of claims arising in the ordinary course of business. The Company has disclaimed liability and is defending the action. The estimated contingent liability is not deemed material for the purposes of the financial statements.

30. Segment information

The Company operates as one segment and in one geographical location being PNG.

31. Subsequent events

The Company continues to monitor Papua New Guinea's economic condition and outlook as the global COVID-19 pandemic enters its second year.

Papua New Guinea's development partners, particularly Australia, continues to provide significant support through public health strengthening and economic reforms to address the negative impact of COVID-19 and improve the country's growth prospects.

Although the Company has not experienced any direct negative impact of the pandemic, the Company's risk provisions, including the ECL loan loss provisioning, have been heightened to ensure greater resilience and to provide much needed support to its clients going forward.

The Company has increased its attention on credit portfolio management by consolidating and strenthening its back office functions with the establishment of a dedicated credit portfolio management, payroll collection and debt recoveries team with its parent entity, TISA.

The Directors of the Company are in the opinion that there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of material and unusal nature other than the matter stated above, that are likely to significantly affect the operations or state of affairs of the Company in the subsequent financial years.

PHOTOS


ACCESSIBLE
APPROACHABLE
WE SPECIALIZE IN
PERSONAL LOANS
PERSONAL EXPENSES
SCHOOL FEES
HOLIDAY
BRIDE PRICE
HOME REPAIR
TRADE STORE
Contact us on:


Tisa Community Finance
FIGHT COVID-19
STEP 1
STEP 2
STEP 3
STEP 4
WE SPECIALIZE IN
PERSONAL LOANS:
Contact us on:
MEDICAL ATTENTION
SPECT YOU ARE INFECTED

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Tisa Community Finance

Reaching Out To Communities