ANNUAL REPORT

2023

PREPARING FOR TOMORROW

Our Path to Becoming a Bank

Welcome to our company

Vision

Empowering people through affordable and quality financial services.

Mission

We aim to be the Financial Institution that maximises value for our shareholders and meet our customers' expectations by continuously developing our products, people, processes, systems and service levels whilst upholding our organisational ethics

Values

- Excellent customer experience
- Responsive practices, processes and systems to prudently manage risks
- Deliver shareholder expectations and values
- Human capital empowerment
- Organisational accountability, honesty, integrity and trust

Tisa Community Finance

Preparing for Tomorrow: ***Our Path to Becoming a Bank.***

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About us

Locally Owned:

We are a proud subsidiary of TISA.

Established Presence:

With seven years of dedicated service, we have quickly become a trusted partner for individuals and local MSMEs seeking financial solutions.

Comprehensive Offerings:

Our commitment to providing tailored solutions, and responsive services ensures that our customers and communities have access to the support they need.

Extensive Reach:

With branches strategically located in 17 provinces, we are accessible to communities across the nation.

Dedicated Team:

Our workforce of over 50 skilled professionals is committed to delivering excellence in customer service and financial expertise.

GABV Membership:

As proud members of the Global Alliance on Banking on Values, we uphold the highest standards of ethical and sustainable banking practices.

Community Engagement:

Through our proactive community engagement initiatives, we actively contribute to the growth and development of individuals, MSMEs, and communities within our branch network.

GABV Membership

A commitment to ethical and sustainable banking

Beyond our local impact, we proudly embrace our membership in the Global Alliance for Banking on Values. This global affiliation underscores our dedication to ethical banking practices and serves as a testament to our commitment to effecting positive change for people, communities, and the environment.

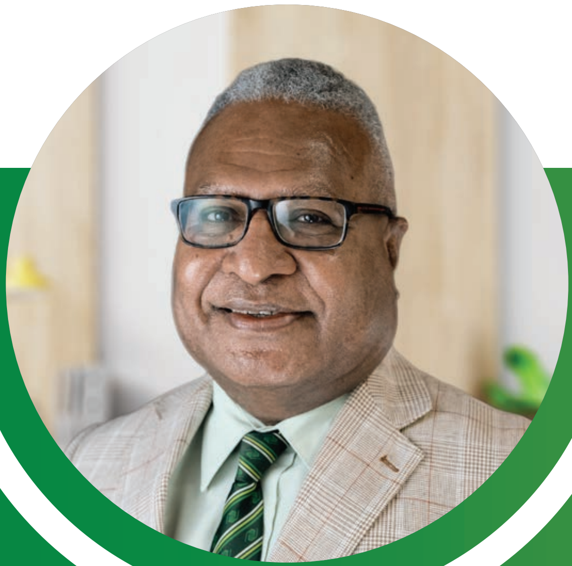
Through our parent company TISA, we are proud to be the first and only financial institution in the South Pacific region to be a member of the GABV. This global affiliation underscores our dedication to ethical practices and positive change for people, communities, and the environment.

Guiding Principles

- **Social & Environmental Focus:** Our success hinges on the well-being of people and the planet. We prioritise sustainability and responsible finance, offering products that serve both our customers and the environment.
- **Community Driven:** Deeply rooted in our communities, TCF provides financing for productive and sustainable economic activities, catering to diverse geographical and sectoral needs.
- **Long-Term Relationships:** We build long-term relationships with our clients, fostering a deep understanding of their needs and the associated risks.
- **Resilience & Sustainability:** Our long-term approach ensures operational resilience in the face of external disruptions. Our commitment to responsible banking allows us to adapt and remain strong.
- **Transparent Governance:** Transparency is core to our values. We actively engage with stakeholders beyond just shareholders and management, fostering trust and accountability.
- **Values-Based Culture:** These principles are embedded in our company culture, guiding decision-making at all levels. We implement our People & Culture policies and performance evaluations that reflect our values, and actively promote stakeholder-oriented practices. Additionally, we maintain reporting frameworks to demonstrate our financial and non-financial impact.

Mr Michael Koisen, Group CEO for TISA and our CEO, Mr Sunil Pokharel, receiving our GABV Membership Certificate on 1 November this year from representatives from GABV. Standing from left to right: Sunil Pokharel, Michael Koisen, Upendra Poudyal, Representative of GABV Asia Pacific and Martin Rohner, Executive Director of GABV.

Chairman's Message



Michael O. Koisen, OBE ML
Acting Chairman, TCFL Board of Directors

The fiscal year 2023 has been a time of profound transformation for Tisa Community Finance Limited (TCFL). We are steadily progressing towards our goal of attaining full licensure as a commercial bank, reaffirming our dedication to reshaping banking and delivering accessible financial services to the people of Papua New Guinea.

Numerous initiatives have been undertaken to ensure our readiness for the transition to a bank. We eagerly anticipate the day of fruition, a moment just around the corner.

The year's theme, "Preparing for Tomorrow: Our Path to Becoming a Bank," perfectly encapsulates this exciting journey.

Navigating Challenges, Celebrating Milestones

Despite the challenges faced in 2023, as reflected in the recorded net loss, this loss signifies an investment in our future, laying the groundwork for the successful launch of the bank.

We have also achieved significant milestones in our progression towards becoming a bank. Attaining the "Approval in Principle" for a commercial banking license from the Bank of Papua New Guinea last year presented us with a series of tasks, including acquiring a core banking system, securing the right resources, and establishing operational infrastructure. I am pleased to report that we have successfully acquired a world-class core banking system, Flexcube, developed by Oracle. Furthermore, key personnel have been hired, and our operational readiness is on the verge of completion.

Moreover, TCFL's ascension to membership in the Global Alliance for Banking on Values (GABV) underscores our commitment to responsible and sustainable banking practices.

Our solid deposit base and strong liquidity reflect the steadfast trust our customers place in us. Once we secure our full banking license, these assets will play a crucial role in enhancing our lending capacity and broadening our range of services.

Embracing Opportunity, Guided by Values

As TCFL evolves, we foresee a future characterised by innovation and inclusivity. Our transformation into a commercial bank will empower us to:

> **"TCFL's ascension to membership in the Global Alliance for Banking on Values (GABV) underscores our commitment to responsible and sustainable banking practices."**

- **Offer a Comprehensive Suite of Products:** Provide tailored solutions that address the multifaceted needs of our diverse clientele and communities.
- **Champion Technology-Driven Transformation:** Enhance the customer experience, streamline operations, and remain a leader in a rapidly evolving digital landscape.
- **Uphold Our Core Values:** Prioritise ethical banking practices, community development, and financial access for every Papua New Guinean.

Gratitude and Vision

I extend my sincere gratitude to our esteemed Board of Directors for their unwavering strategic guidance. To the exceptional team at TCFL, you are the backbone of this institution. My heartfelt thanks also go to our valued stakeholders, loyal customers, regulators, and the TISA Group for their steadfast support, which drives our mission forward.

I also extend a warm welcome to our new CEO, Sunil Kumar Pokharel. His extensive global banking experience and leadership are vital assets as we navigate the next growth phase.

Finally, I extend my condolences to the family of our former chairman, the late Sir Wilson Kamit CBE, for his significant contributions to our organisation.

The challenges we face are opportunities for growth and resilience. Together, we will navigate the path ahead, transforming Papua New Guinea's financial landscape and building a more prosperous and inclusive future.

Sincerely,

Michael O. Koisen, OBE ML
Acting Chairman, TCFL Board of Directors

Chief Executive Officer's Report

Dear Stakeholders,

In the fiscal year of 2023, we embarked on a transformative journey, aptly captured by the theme "Preparing for Tomorrow: Our Path to Becoming a Bank." This theme not only reflects our strategic evolution but also serves as the guiding principle for our annual report. Through meticulous planning and unwavering commitment, we have laid the groundwork for transitioning into TISA Bank, a fully licensed commercial bank poised to change the banking landscape. Despite the mammoth task of preparing to launch a bank, we remain steadfast and determined to bring this dream to fruition in 2024. Our mission is clear: to empower our communities with accessible and innovative financial solutions, ensuring their prosperity for years to come.

Sunil Kumar Pokharel
Chief Executive Officer, TCFL

"Preparing for Tomorrow: Our Path to Becoming a Bank." This theme not only reflects our strategic evolution but also serves as the guiding principle for our annual report."

"They are the heartbeat of our organisation, propelling our growth and guiding us towards our mission of empowering communities with innovative financial solutions in the days ahead."

Challenges Transformed into Growth

Despite a modest net loss in 2023 due to our strategic investment for future growth, our financial position remains robust. This sets TCFL on a path for sustainable and impactful expansion, especially as we work towards obtaining our full banking license. Bolstered by a robust deposit base and a prudent approach to financial management, we are strategically positioning ourselves for the future, ensuring that we can effectively meet the evolving needs of our expanding customer base.

SME/MSME: Driving Economic Growth

Recognising the indispensable role of the SME/ MSME sector as a linchpin for economic growth, we have demonstrated our unwavering commitment to supporting these enterprises, as evidenced by our sponsorship in events such as the 2023 PNG SME Breakfast. Moreover, we are actively exploring all avenues to collaborate with multilateral agencies and other relevant stakeholders to foster SME/ MSME business and lending to make a meaningful difference in our communities.

Rigourous Risk Management

TCFL prioritises rigorous risk management, employing conservative measures to safeguard our operations and stakeholders interest. Our proactive approach ensures prudent management across all aspects of our business, reflecting our steadfast commitment to integrity and stability.

Customer-Centric, Multi-Pronged Approach

We've pursued a multi-faceted approach, addressing people, place, process, promotion, product, partnerships, and policies to streamline our transition to commercial banking operations. This will enable us to provide tailored financial products and a seamless digital banking experience as we embark on our banking journey in 2024.

Ethical Leadership for a Better Future

As a member of the Global Alliance for Banking on Values (GABV), TCFL is committed to ethical and sustainable finance, using finance as a tool to deliver sustainable economic, social and environmental development. This affiliation highlights our dedication to upholding the highest standards of transparency and prudence as we evolve into a fully-fledged commercial bank. Being part of the GABV reflects our goal to initiate banking operations while ensuring the fulfilment of all environmental and social commitments right from the outset. The GABV is a network of independent financial institutions, whose collective goal is to make the banking system more transparent, inclusive and sustainable.

Our People: The Heart of Our Transformation

We recorgnise that our people are the driving force behind our transformation. They are the heartbeat of our organisation, propelling our growth and guiding us towards our mission of empowering communities with innovative financial solutions in the days ahead. By cultivating a culture of inclusivity, collaboration, and continuous learning, we ensure that our people remain at the heart of all our initiatives, propelling us forward on our journey of transformation.

A Brighter Financial Future for Papua New Guinea

As TCFL embarks on its journey to become a fully licensed commercial bank, we anticipate a groundbreaking era of financial inclusion and opportunity. With an array of expanded services and cutting-edge digital solutions, we are poised to unleash the potential of Papua New Guineans. The future shines brightly, and TCFL remains steadfast in its commitment to lead the way forward.

Sincerely,

Sunil Kumar Pokharel
Chief Executive Officer, TCFL

Management Team

Sunil Kumar Pokharel
Chief Executive Officer

Helen Ove
Head of Retail Lending

Pradeep Pradhan
Chief Operating Officer

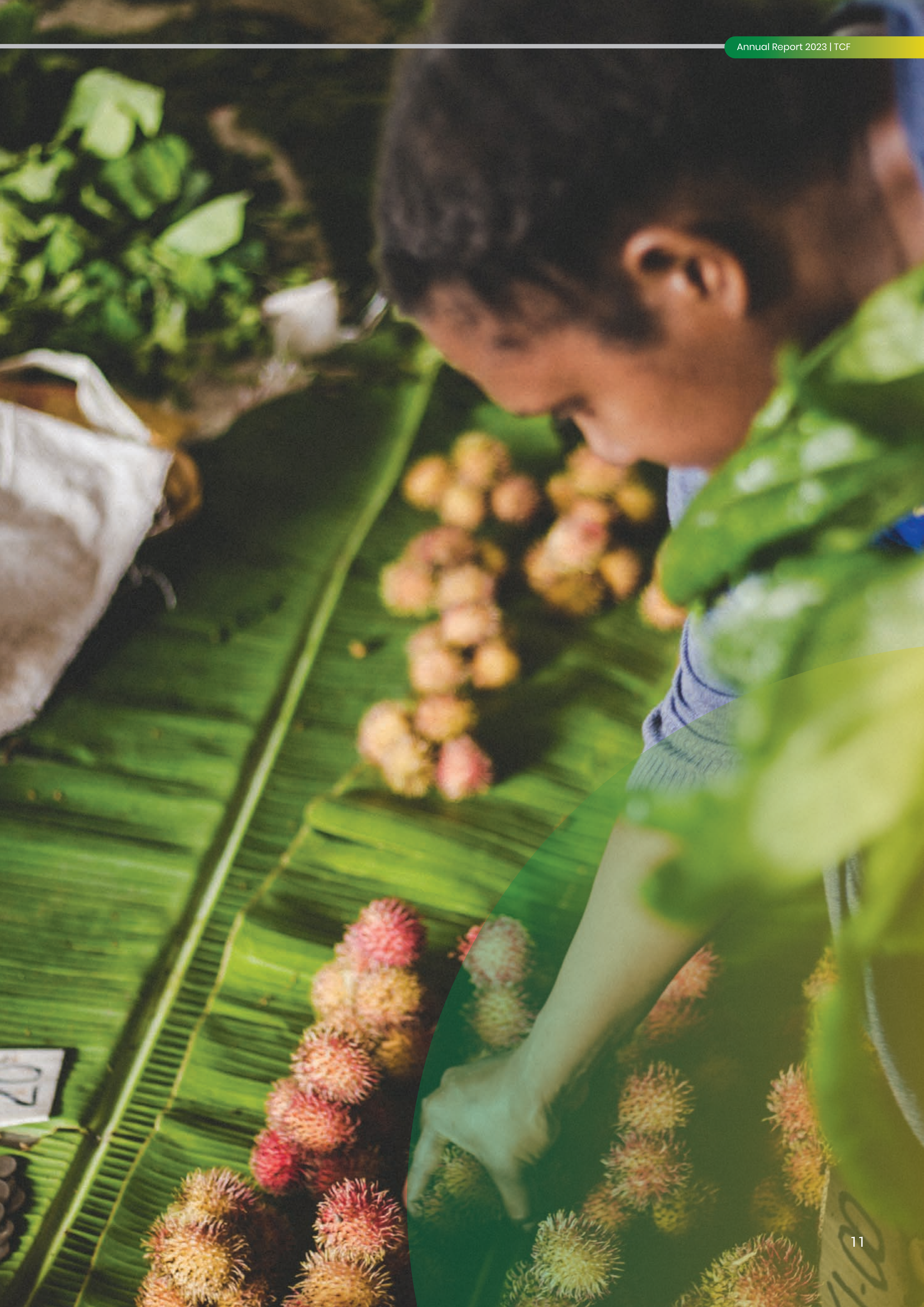
Geraldine Vilakiva
Head of Brand Marketing & Communications

Sachin Rayamajhi
Chief Risk Officer

Albertha Lavi
Head of Product Development

Samit Kumar Bhatnagar
Chief Information Officer

Sujan Dhungana
Head of Strategy and Implementation



Our Impact on Our Customers

2023 saw an active year for TCF with Bank transformation projects. However, despite the busy year, we managed to ensure all key deliverables for the year was achieved. Through our personalised and unique relationship, we seek to ensure *we become the bank, the customer choses.*

Our customer reach has gone far and beyond through our branch channels in the 17 centres across PNG, seven years since inception in 2016. We have a customer base of 5,000 plus that consist of 70 percent public servants and 30 percent private sector employees.

Our products are tailored to suit our customer needs with offerings ranging from Term Deposits, Unsecured Personal Loans to SME and Commercial Loans.

Our key focus is to make the experience easier for our customers to receive financial support during their most challenging times. Importantly, for TCF to be highly regarded in the community.

Some of our key events for 2023 year includes:

- Platinum sponsor of the 5th SME Breakfast. Our participation increased awareness on our Term Deposit and SME products.
- Cleansing of customer data in preparation for TCF's transformation into a bank.
- Our continued customer visits to government and corporate business houses to maintain stronger relations and presence.
- Our participation in branch-wide customer engagement events in the main centres such as Port Moresby, Lae, and Kokopo.

Our Communities

We are making significant efforts in supporting the growth and development of small and medium enterprises (SMEs) through our increased community engagement initiatives. We believe SME is one of the emerging sectors of the economy because of the key role it plays in driving economic growth, employment opportunities and fostering social stability in PNG.

This is evident through our active partnerships and support to local organisations, government institutions involved in the SME sector. This year our total sponsorship to SME related events stands at a value of K300,000. Key events that we supported include the 5th SME Breakfast and the PNG Indigenous Business Forum.
Our support to these events has allowed for important dialogues, networking, and collaboration in improving and growing the SME sector. These important dialogues have resulted in the implementation of various interventions by the government to support this sector. Over 100 local SMEs have benefited from our support through these events through opportunities which included financial gains, recognition and exposure, networking, information sharing, markets, among others.

TCF supports SME Breakfast

Our biggest community engagement initiative we supported this year was the 5th SME Breakfast. We have been supporting this annual event since 2022.

The Breakfast is an initiative of Strategic Communications (StratCom) Limited a local SME owned by husband and wife - Andrew Runawery and Nancy Lai.

"We took the initiative in 2019, to host the first SME Breakfast with the Prime Minister," Mr. Runawery said.

The SME Breakfast presented an informal setting where all parties could express their views and grievances in the spirit of togetherness.

Since the first Breakfast in 2019, the government has implemented a comprehensive range of interventions to support SMEs across various sectors which have been crucial in bolstering the economy, especially during the COVID-19 pandemic and the current inflationary pressures.

"As a small business, this dream to host annual SME Breakfast was massive and beyond our financial capacity. We took the risk to stage it in 2019, 2020 and 2021 without a naming rights sponsor (before and during Covid). TCF's support since 2022 is more than branding and breakfast.

This support underwrites all associated risks on our end to deliver this event."

At TCF, we firmly believe that supporting small and medium enterprises (SMEs) is not just a responsibility but also a catalyst for economic change.

Through our sponsorship of the SME Breakfast event, we aim to create a platform for entrepreneurs, industry experts, and policymakers to converge and exchange ideas. Together, we can propel the growth of SMEs, foster innovation, and unlock their potential to drive our economy towards greater prosperity.

Our People

As we move forward on our journey to becoming a bank, diversity and inclusion serve as guiding principals shaping our organisation's culture. Our commitment to preparing our people for tomorrow extends beyond our financial strategies as it encompasses fostering an environment where every voice is heard, valued, and empowered to contribute. Through inclusive recruitment, fair performance management and initiatives nurturing staff engagement, we are laying the groundwork for a bank that not only thrives financially but also empowers our people.

Furthermore, our commitment to fostering inclusion is evident through our strategic appointments of women to key leadership roles within the business. While we currently have three women serving as Business Unit Heads, we are committed to gender diversity in leadership. We recognise the importance of representation and are actively working towards increasing the number of women in these key roles. Through targeted training initiatives and ongoing support, we aim to create pathways for more women to excel and lead within our organisation.

Staff Profile

Dorothy Bega

Joining TISA 36 years ago, Dorothy Bega's journey with the organisation can be described as a journey of commitment, integrity and trust.

Dorothy joined TISA as a Loans Enquiry Clerk in 1987 and has since seen the organisation grow from less than 100 staff to now over 300 employees.

From Loans Enquiry Clerk, she progressed to Electronic Data Processing (EDP) Clerk and onto the EDP supervisory role.

When asked what she most liked about her job she said, "I feel that I contribute to the large purpose of the business. I like resolving issues and providing service to the members and receiving positive feedback from them."

Apart from the roles that she has held over the years, Dorothy has also acted on the role of Systems Administrator and Head of Retail for TCF.

One of the key highlights of her journey with TISA was the migration of the Core Banking System (CBS) from Ultracs 3 to Ultracs 4.

"During my time in IT/CBS in the early 1990s to 2000s, we had no I.T specialists in-house. I.T was outsourced to Datec. During those years, Taita Labi (another long serving TISA colleague), when she was the system administrator, and I, did our best to work with Datec to keep the Local Area Network and Core Banking System running. I learnt a few tricks in PC trouble shooting and network cabling during those years."

"I was heavily involved in the migration of the Core banking system from Ultracs 3 to Ultracs 4 and conducted training for staff which included me travelling to the branches to conduct training."

Dorothy is now the Operations Team Lead with TCF, where she manages a team of 10 staff who perform business transactions, review and examine loan applications, establish relationships with corporate clients for client loan repayment remittances, respond to enquiries, assess and monitor Term Deposit applications, manage client loan files and manage the daily administrative operations of TCF.

"I am glad that I got to use my experience to put processes in place and guide the pioneer team in TCF to perform their respective tasks and now I am looking forward to another highlight in my career which is the migration of TCF to becoming a bank"

Over the years TISA has supported Dorothy and her family by putting her children to school with one of her children graduating from the University of Papua New Guinea.

Dorothy attributes her success to her former manager, Taita Labi and the IT/CBS team and especially Group CEO Michael Koisen who she says believed in her. She also made a special mention of her husband Stanley and her children who continue to inspire and support her career.

Corporate Governance Statement for the Year Ended 31st December 2023

The Board of Directors

The Board of Directors is responsible for the overall management and strategic direction of the Company. They operate according to the powers and functions outlined in the constitution and are responsible for:

- Developing the overall business strategy of the Company, including asset and investment management, risk management, and operational matters.
- Approving the overall business strategy and annual budgets of the Company.
- Providing proper oversight to accounting, fiduciary, regulatory, and operational practices of the Company.
- Critically monitoring the effectiveness of the business strategies and the effectiveness of management in delivering those strategies.
- Appointing, assessing the performance, and, if necessary, removing the Chief Executive Officer.
- Appointing the Company Secretary.
- Developing and setting policies covering lending, investment, procurement, and capital expenditure.
- Developing and setting 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.
- Performing 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 ensures that it does not encroach upon 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 (3) years with eligibility for re-appointment.

Each Director must satisfy the criteria under the constitution, the Banks and Financial Institutions Act 2000, and the Companies Act 1997 as amended. 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 28.2 to the financial statements.

Board Committee

The Board Audit, Risk, and Compliance Committee (BARCC) exist 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 BARCC's responsibilities include:

- Financial Reporting.
- External Audit.
- Internal Audit and Internal Control.
- Risk Management and risk appetite.
- Regulatory, Compliance and Ethical Matters.
- Insurance Program.
- Any other functions delegated by the Board.

The current members of BARCC are Mr. Simon Woolcott (as Chairman), Mr. Ian Clyne and Mr. Con Nikolaou. . The Company Secretary also serves as secretary to the Committee.

Remuneration and Nominations Committee

The Board also has a Remuneration and Nominations Committee (RNC) to assist the Board to fulfill its corporate governance and oversight responsibilities in relation to human resource issues and ensuring that the policies and procedures are in place.

The RNC's responsibilities include:

- Establish the policies and procedures for the company covering remuneration, recruitment, and termination;
- Oversee the selection and nomination of suitable Board Directors, CEO and the Company Secretary and make recommendations to the Board.
- Review the remuneration arrangements for members of the Board, including fees, travel and other benefits.
- Review and recommend to the Board the remuneration and the incentive framework for the CEO taking into consideration performance against KPIs.

The current members of RNC are Mr. Peter Mason (as Chairman), Mr. Michael Koisen (as a member), and Mr. Simon Woolcott (as a 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. This allows the Board to respond quickly to emerging issues or changing circumstances and maintain effective oversight of the company's operations.

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 (4) meetings are required to be held in a financial year. Special Meetings of the Board are held as and when required.

Board Access to Information and Advice

All Directors have unrestricted 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.

Remuneration

The Board's remuneration is determined through a formal process, which takes into account a number of factors including the responsibilities of each Director, the performance of the Company, and the prevailing market conditions for similar roles. The process is overseen by the Remuneration Committee, which is comprised of independent Directors and makes recommendations to the full Board for approval.

The remuneration of each Director is disclosed in the Company's annual report, with a breakdown provided in financial note 28.2. Directors receive no other benefits or compensation from the Company beyond their approved remuneration.

Disclosure of Material Interest by Directors

In order to ensure full transparency and avoid any conflicts of interest, the Company has strict policies in place regarding the disclosure of material interests by Directors. Any Director with a material interest in a matter under consideration, or about to be considered, by the Board must disclose this interest at a duly constituted Board meeting. 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 is deemed to exist where a Director:

a. is a party to, or will or may derive a material financial benefit from, a transaction involving the Group or a business enterprise in which the Group has an interest;
b. has a material financial interest in another party to a transaction involving the Group or a business enterprise in which the Group has an interest;
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.

The Company takes any potential conflicts of interest very seriously and requires Directors to adhere to the highest standards of ethical conduct. By following these policies, the Company is able to ensure that all decisions are made in the best interests of the Company and its stakeholders.

External Auditor

The TISA Group engages KPMG (PNG) as its external auditor for the annual audit of the Company's financial report and compliance with prudential standards. KPMG was first appointed in 2016 for a period of three years up to the year ended 2019. Following approval from the Bank of PNG and shareholders, their appointment was extended for a further two years up to 2021. In 2021, the appointment of KPMG was extended for another three years up to 2024 to ensure compliance with the prudential standard BPS 7/2005 (External Auditors) issued by the regulator. The TISA Group values the expertise and professionalism of KPMG in providing high-quality audit services that help ensure the accuracy and transparency of the Company's financial reporting.

Internal Audit & Advisory

The Company maintains an Internal Audit and Advisory Function to assess the adequacy and effectiveness of the Company's internal controls, compliance, and regulatory frameworks, as well as to identify opportunities for improvement in the Company's operations. The Internal Audit and Advisory team reports directly to the Audit and Risk Compliance Committee.

The Internal Audit and Advisory Function performs its duties in accordance with the International Standards for the Professional Practice of Internal Auditing, and its scope of work is reviewed and approved by the Audit and Risk Compliance Committee.

In addition to the Internal Audit and Advisory Function, the Company engages external auditors to perform regular compliance reviews, including security audits on the data processing systems/centers, to ensure the adequacy of the backup, disaster recovery, and internet security systems. The Internal Audit and Advisory Function and external compliance reviews provide an added layer of assurance to the Company's stakeholders that the Company is operating in compliance with all relevant regulations and industry best practices.

Regulation

The Company is subject to regulation by various authorities to ensure compliance with legal requirements and to promote ethical and responsible business practices. The Company is overseen by the Central Bank of Papua New Guinea (BPNG) for prudential risk management, and adherence to the Banks and Financial Institutions Act 2000. Additionally, the Company complies with the Companies Act 1997 (as amended) under the supervision of the Investment Promotion Authority. We are committed to working collaboratively with these regulatory bodies to maintain a strong and sustainable financial system and to deliver long-term value to our stakeholders.

Legal & Compliance Matters

The Company has an in-house legal and compliance team dedicated to managing legal issues such as debt recovery, litigation, contract drafting and negotiation, contract disputes, employment law, intellectual property, and other areas of law. The legal and compliance team also ensures the Company's compliance with legal requirements, such as regulations, policies, and procedures.

The team comprises five certified lawyers who work closely with other departments to provide timely and effective legal and compliance support across the organization. Additionally, the legal team engages external legal counsel on an as-needed basis to provide specialized expertise in specific legal areas.

TISA Community Finance Limited Financial Statements
For the Year Ended 31 December 2023

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Directors' Report

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 2023. In order to comply with the provisions of the Companies Act 1997 (amended 2022) 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

For the year ended 31 December 2023, the Company's total comprehensive loss after taxation is K3,140,035 (2022: profit after tax of K4,319,811.)

Dividends to shareholders

No dividend has been declared and paid for the year ended 31 December 2023 (2022: K Nil).

Directors

The Directors who have served on the Board during 2023 and to the date of this report were:

Mr. Leonard Wilson Kamit (Appointed as Chairman on 21 July 2022, ceased on 25 January 2023)
Mr. Michael Koisen (Acting Chairman, 25 January 2023 to 31 January 2024)
Dr. Peter Mason
Mr. Simon Woolcott
Mr. Ian Clyne
Mr. Paul Komboi
Mr. Anthony Smare (appointed 15 June 2023)
Mr. Moses Koiri (appointed Director 25 January 2023, Chairman 31 January 2024)

Directors' remuneration

Disclosure has been made in note 28.2.

Remuneration above K100,000 per annum
Disclosure has been made at note 28.1.

Corporate secretary

The Company's Corporate Secretary is Philip Hehonah.

Directors' eligibility

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

Changes in State of Affairs

During the year, there has been no significant changes to the Company's state of affairs.

Auditor

KPMG was appointed as auditor for the year ended 31 December 2023. Details of amounts paid to the auditor for audit and other non-audit services are shown in note 10 to the financial statements.

Non – Audited Services

During the year, KPMG, the auditor has not performed any other services in addition to the audit and review of the financial statements.

The Board considers the non-audit services provided during the year by the auditor and in accordance with written advice provided by the resolution of the Board Audit Risk and Compliance Committee, to satisfy itself that the provision of those non- audit services during the year by the auditor is compatible with, and does not compromise, the auditor independence requirements of the Companies Act 1997 for the following reasons:

- all non-audit services are subject to the corporate governance procedures adopted by the Board and have been reviewed by the Board Audit Risk and Compliance Committee (BARCC) to ensure they do not impact the integrity and objectivity of the auditor, and

- the non-audit services provided do not undermine the general principles relating to the auditor independence as set out in International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the Code) as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing risks and rewards.

Signed at Port Moresby, NCD this 10th day of April 2024.

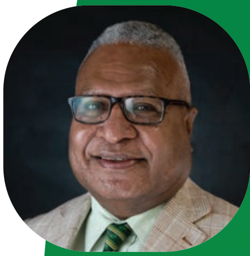
Signed in accordance with a resolution of the Directors.

Director
Mr. Michael O Koisen, OBE ML

Director
Mr. Simon Woolcott

DIRECTORS

Mr Moses Koiri
Director



Mr. Michael O. Koisen, OBE ML
Director

Dr. Peter Mason
Director

Mr. Simon Woolcott
Director

Mr. Anthony Smare
Director

Mr. Ian Clyne
Director

Mr. Paul Komboi
Director

Statement By Directors

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

1. (a) the statements 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 2023;

   (b) the statements 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 2023;

   (c) the statements 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 2023;

   (d) the statements 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 2023;

   (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 10th day of April 2024

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

Director	**Director**
Mr. Michael O. Koisen, OBE ML	Mr. Simon Woolcott

KPMG

Independent Auditor's Report

To the shareholders 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 2023 and of its financial performance for the year ended on that date; and
- complying with *International Financial Reporting Standards*.

The Financial Report comprises the:

- statement of financial position as at 31 December 2023;
- 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 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.

KPMG

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.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report. The remaining Other information, the annual report, is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do 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 Those Charged with Governance (TCWG)'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.

The auditor communicates 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.

The auditor also provides 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 2023:

- 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

Pieter Steyn
Partner
Registered under the Accountants Act 1996

Port Moresby
11 April 2024

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 K	2022 K
Interest and similar income	8	22,704,844	19,849,661
Interest expense	8.1	(4,247,421)	(3,404,094)
Net interest income		**18,457,423**	**16,445,567**
Other income	8.2	16,595,966	8,066,036
Total income		**35,053,389**	**24,511,603**
Staff costs		(4,021,942)	(2,929,750)
Impairment losses on loans	9	(12,715,070)	(4,322,172)
Operating expenses	10	(22,069,159)	(11,038,778)
Total expenses		**(38,806,171)**	**(18,290,700)**
Profit/(loss) from operations before taxation		**(3,752,782)**	**6,220,903**
Income tax (expense)/benefit	22.1	612,747	(1,901,092)
Profit / (loss) for the year after taxation		**(3,140,035)**	**4,319,811**
Other comprehensive income/(loss)		**-**	**-**
Total comprehensive income/(loss) for the year		**(3,140,035)**	**4,319,811**

The notes on pages 32 to 62 are an integral part of these financial statements

Statement Of Financial Position

AS AT 31 DECEMBER 2023

	Note	2023 K	2022 K
Assets			
Cash and cash equivalents	16	14,018,716	29,860,958
Loans and advances	15	43,172,430	52,499,085
Government securities	14	53,254,542	33,875,683
Receivables	17	50,544,463	72,878,117
Investment property	12	51,995,000	45,179,755
Property and equipment	11	6,475,656	4,955,577
Capital work in progress	13	29,275,429	12,256,844
Net deferred tax asset	22.3	4,376,712	719,702
Income tax receivable	22.2	481,128	1,304,811
Total assets		**253,594,076**	**253,530,532**
Liabilities			
Deposits	19	68,276,662	68,632,924
Creditors and accruals	20	5,378,849	4,463,845
Employee provisions	18	267,035	293,363
Lease liability	21	4,870,300	2,199,135
Total liabilities		**78,792,846**	**75,589,267**
Net assets		**174,801,230**	**177,941,265**
Equity			
Share capital	23	166,700,001	166,700,001
Retained earnings		8,101,229	11,241,264
Total equity		**174,801,230**	**177,941,265**

The notes on pages 32 to 62 are an integral part of these financial statements

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Share Capital	Retained Earnings	Total
		K	**K**	**K**
Balance at 1 January 2022		**166,700,001**	**6,921,453**	**173,621,454**
Total comprehensive income for the year after taxation		-	4,319,811	4,319,811
Balance at 31 December 2022		**166,700,001**	**11,241,264**	**177,941,265**
Total comprehensive loss for the year after taxation		-	**(3,140,035)**	**(3,140,035)**
Balance at 31 December 2023	23	**166,700,001**	**8,101,229**	**174,801,230**

The notes on pages 32 to 62 are an integral part of these financial statements

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 K	2022 K
Cash flows from operating activities			
Interest received on loans		23,704,935	18,935,689
Net rental and other income		15,290,982	6,317,304
Interest on IBDs and debt securities		1,278,237	689,342
Net movement in loans		(3,388,415)	(2,129,349)
Interest paid to depositors		(4,247,421)	(3,404,094)
Change in customer deposits		(356,262)	33,686,018
Payments to employees and suppliers		(22,906,084)	(10,977,648)
Income taxes paid		(2,220,239)	(5,784,049)
Net cash flow from operating activities		**7,155,733**	**37,333,214**
Cash flows used in investing activities			
Net purchase of government securities		(19,378,859)	(16,199,778)
Payments for investment in property and equipment and capital work in progress		(22,588,324)	(5,507,660)
Net cash used in investing activities		**(41,967,183)**	**(21,707,438)**
Cash flows from financing activities			
Funding from parent company		20,055,325	6,120,177
Lease payments		(1,086,117)	(1,303,609)
Net cash flow from financing activities		**18,969,208**	**4,816,568**
Net increase/(decrease) in cash and cash equivalents		**(15,842,242)**	**20,442,344**
Cash and cash equivalents at the beginning of the year		29,860,958	9,418,614
Cash and cash equivalents at the end of the year	16	**14,018,716**	**29,860,958**

The notes on pages 32 to 62 are an integral part of these financial statements

1. Reporting

Tisa Community Finance Limited (The “Company”) 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 10 April 2024.

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.

Comparative figures

The prior year comparative figures have been reclassified 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 (K), 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, management 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:

- Note 7(d) (vii) Significant increase in credit risk;
- Note 24.1 Estimated expected credit loss allowance for loans to clients; and
- Note 12 Investment properties valuation

Going concern basis

The financial statements have been prepared on a going concern basis which assumes that the Company will realise its assets and settle its liabilities in the normal course of operations.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

5. Accounting policies and disclosures

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

6. New Standards, interpretations and amendments issues

As of the date of the authorisation of these financial statements, the Company has not adopted the following new and amended standards and interpretations that have been issued but are not yet effective:

- Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (Amendment – Supplier Finance Arrangements)
- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28).

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

In the current year, the Company has applied the following new and amended standards and interpretations that are mandatorily effective for an accounting period that begins on or after 1 January 2023:

- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 (Amendment - Disclosure of Accounting Policies)
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Accounting Estimates)
- IAS 12 Income Taxes (Amendment - Deferred Tax related to Assets and Liabilities arising from a Single Transaction)
- IFRS 17 Insurance Contracts

The adoption of the following new and amended standards and interpretations has not had any material impact on the disclosures or on the amounts reported in these financial statements.

7. Significant accounting policies

(a) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or service to a customer.

Revenue recognised as follows:

i. Interest

Interest income is 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.

7. Significant accounting policies (continued)

(a) Revenue recognition (continued)

i. Interest (continued)

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.

(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 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 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 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 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

7. Significant accounting policies (continued)

(b) Leases (continued)

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 as a separate liability account on the Balance Sheet.

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.

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 reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities 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.

7. Significant accounting policies (continued)

(c) Income tax (continued)

Deferred tax assets are recognised for unused tax losses, tax credits and deductible 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 realised.

(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.

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

7. Significant accounting policies (continued)

(d) Financial instruments (continued)

i. Recognition and initial measurement (continued)

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.

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.

7. Significant accounting policies (continued)

(d) Financial instruments (continued)

vi. Fair value measurement

The Company recognizes transfers between levels of the fair value hierarchy as at 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.

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.

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

7. Significant accounting policies (continued)

(d) Financial instruments (continued)

vii. Identification and measurement of impairment (continued)

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 probability of default ('PD') that represents the PD 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 an 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 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.

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

- 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 of collateral if loans go into arrears. For the purpose of the IFRS 9 model assumptions the following

7. Significant accounting policies (continued)

(d) Financial instruments (continued)

vii. Identification and measurement of impairment (continued)

Macroeconomic factors (continued)

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 education
- salary budgets which include salary adjustments
- government sector employment growth
- inflation
- 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.

The weightings assigned to each economic scenario are as follows: -

	Probability of default weighting		
	Base case	**Upturn**	**Downturn**
As at 31 December 2023	70%	10%	20%
As at 31 December 2022	70%	10%	20%

The 'base case' represents the most likely outcome. The upturn scenario represents a more optimistic outcome while the downturn represents a more pessimistic outcome. 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

7. Significant accounting policies (continued)

(d) Financial instruments (continued)

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

(g) Investment securities

Investment securities are accounted for in the following manner:

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 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.

ii. Subsequent costs:

Subsequent expenditure is capitalized 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.

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.

7. Significant accounting policies (continued)
(h) Property and equipment (continued)
iii. Depreciation (continued)

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
Right of Use of Asset	2-5 years
Other equipment	3-5 years

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

(i) Investment properties
i. Recognition and measurement
Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the profit & loss.

Cost includes expenditure that is attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to brining the investment property to a working condition for their intended use and capitalised borrowing costs.

When the use of a property changes such that it is reclassified as Property and equipment, its fair value at the end of the reclassification becomes its cost for subsequent accounting.

(j) 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

7. Significant accounting policies (continued)

(k) 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.

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.

(l) 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.

(m) 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.

(n) 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

7. Significant accounting policies (continued)

(n) Employee benefits (continued)

iv. Short term employee benefits (continued)

obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Interest expense

Interest expense and associated expenses incurred on the issue of financial liabilities is recognised in the profit or loss using the effective interest method.

8. Interest and similar income

	2023	2022
	K	K
Interest income – loans	21,426,607	18,935,689
Interest income – government debt securities	1,278,237	913,972
Total interest income	**22,704,844**	**19,849,661**

8.1 Interest expense

Interest expense	(3,905,819)	(3,241,936)
Interest expense on lease liability	(341,602)	(162,158)
Total interest expense	**(4,247,421)**	**(3,404,094)**

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

8.2 Other income

Net loan processing and account administration fees	619,479	641,414
Rental and other property related income	4,628,502	6,989,968
Change In fair value of assets	1,304,984	-
LPI insurance commission and other income	70,496	113,325
Other recoveries	9,972,505	321,329
Total other income	**16,595,966**	**8,066,036**

9. Impairment losses on loans

Impairment on loans at amortised cost	(12,715,070)	(4,322,172)
	(12,715,070)	**(4,322,172)**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

10. Operating expense

	2023 K	2022 K
Auditor's remuneration	110,001	110,001
Bank charges	10,806	11,690
Depreciation and amortisation	2,296,682	1,146,325
Electricity	1,284,580	1,442,374
Insurance	187,151	205,342
Travel, airfare and accommodation	166,544	165,010
Data processing	74,458	77,097
Printing and stationery	121,481	74,600
Fuel	229,199	189,490
Advertising and promotion	595,145	480,136
Telephone	58,889	50,998
Repair and maintenance	410,806	519,601
Motor vehicle expenses	60,907	36,130
Filing and legal cost	812	6,435
Subscription and license	179,687	58,457
Consultancy and professional fees	68,174	243,416
Cleaning	283,708	272,847
Board fees and allowances	1,543,709	1,232,680
General and administrative expenses*	14,386,420	4,716,149
Total operating expenses	**22,069,159**	**11,038,778**

*The General and administrative expenses comprised largely of costs which has been recharged by the parent company.

11. Property and equipment

	ROU – Asset K	Furniture & fittings K	Office equipment K	Motor vehicles K	Computer software K	Other equipment K	Total K
Cost or valuation							
Balance at 1 January 2023	**5,718,879**	**1,470,800**	**504,873**	**882,872**	**298,592**	**10,340**	**8,886,356**
Other adjustments	(1,278,718)	-	10,340	-	-	(10,340)	(1,278,718)
Additions	3,809,361	-	7,399	-	-	-	3,816,760
Disposals	-	-	-	-	-	-	-
Balance at 31 December 2023	**8,249,522**	**1,470,800**	**522,612**	**882,872**	**298,592**	**-**	**11,424,398**
Accumulated depreciation							
Balance at 1 January 2023	**2,993,390**	**431,120**	**186,301**	**283,303**	**29,900**	**6,764**	**3,930,778**
Other adjustments	(1,283,179)	-	5,957	5,268	-	(6,764)	(1,278,718)
Depreciation for the year	1,831,593	139,748	139,209	142,262	43,870	-	2,296,682
Disposals	-	-	-	-	-	-	-
Balance at 31 December 2023	**3,541,804**	**570,868**	**331,467**	**430,833**	**73,770**	**-**	**4,948,742**
Carrying amounts at 31 December 2023	**4,707,718**	**899,932**	**191,145**	**452,039**	**224,822**	**-**	**6,475,656**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

11. Property and equipment (continued)

	ROU – Asset K	Furniture & fittings K	Office equipment K	Motor vehicles K	Computer software K	Other equipment K	Total K
Cost							
Balance at 1 January 2022	5,718,879	1,419,148	666,359	452,047	-	10,340	8,266,773
Other adjustments	-	51,652	(236,840)	132,434	298,592	-	245,837
Additions	-	-	75,354	566,784	-	-	642,138
Disposals	-	-	-	(268,393)	-	-	(268,393)
Balance at 31 December 2022	**5,718,879**	**1,470,800**	**504,873**	**882,872**	**298,592**	**10,340**	**8,886,356**
Accumulated depreciation							
Balance at 1 January 2022	1,974,993	276,825	110,048	394,591	-	5,730	2,762,188
Other adjustments	294,683	8,114	(6,897)	(5,241)	-	-	290,659
Depreciation for the year	723,714	146,181	83,150	162,346	29,900	1,034	1,146,325
Disposals	-	-	-	(268,393)	-	-	(268,393)
Balance at 31 December 2022	**2,993,390**	**431,120**	**186,301**	**283,303**	**29,900**	**6,764**	**3,930,779**
Carrying amounts at 31 December 2022	**2,725,489**	**1,039,680**	**318,572**	**599,569**	**268,692**	**3,576**	**4,955,577**

12. Investment property

Property	Fair Value 31 Dec 2022	Additions/ Transfers	Gain/(Loss) on Valuation	Fair Value 31 Dec 2023
	K	K	K	K
TISA Haus, Waigani	45,179,755	5,510,261	1,304,984	51,995,000

The property, TISA Haus Waigani was vested by parent company, Teachers Savings & Loan Society Limited to TISA Community Finance Limited in August 2021.

The fair value of investment property was based on the valuation carried out by LJ Hooker Port Moresby, Papua New Guinea on 13th March 2024. The valuation methodology used to value the asset was direct capitalization (income approach).

Information about how the fair values of the Company's investment property is determined (in particular the valuation method and inputs used) is detailed as follows: -

Direct capitalisation is a fair valuation model, which considers the annual gross income of the property adjusted for vacancies and expenses. The net operating income is divided by a capitalisation rate. The capitalisation rate is derived from comparable market transactions and adjusted for certain property specific characteristics such as the physical deterioration of the property and its location (prime or secondary). Key unobservable input includes the capitalisation rates and market lease rates.

Fair value hierarchy:
The fair value measurement for investment property of K51,995,000 has been categorised as Level 3 fair value, due to the inputs to the valuation techniques used made reference to significant observable inputs such as risk- adjusted capitalisation rates and market rental rates. Significant key unobservable inputs used include the risk adjusted market capitalisation rate of 10% (2022: 10%). Accordingly, an increase in the market lease rental rates and/or a decrease in the discount rate and/or decrease capitalisation rate would increase the fair value of the properties. A decrease in the market lease rates and/or increase in the discount rate and/or increase capitalisation rate would decrease the fair value of the property. A sensitivity analysis is provided below:

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

12. Investment property (continued)

Sensitivity analysis:

	Effect on Profit or Loss Increase/(Decrease)	
	2023	**2022**
	K	**K**
Increase of 1% in capitalisation rate	**(3,421,243)**	(3,540,689)
10% increase in rentals	**3,895,240**	698,997

The income and direct expenses derived from and incurred in relation to the investment property are as follows: -

Rental income and other property related income	**4,628,502**	6,989,968
Operating expenses	**(3,082,427)**	(2,840,828)
Profit from investment property	**1,546,075**	4,149,141

The investment property portfolio generated a total of K4,628,502 annual income in the year 2023 based on the current lease agreements with the existing tenants (2022: K 6,989,968).

Key judgments and estimates:
Judgement is required in determining the following key assumptions:

- Adapted capitalisation rate
  The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regards to market evidence and the prior external valuation.

- Net market rental (per square meter)
  The net market rent is the estimated amount for which a property should lease between a lessor and a lessee on appropriate lease terms in an arm's length transaction.

- Land rate (per square meter)
  The land rate is the market land value per square meter.

13. Capital work in progress

	2023	**2022**
	K	**K**
Work in Progress		
Opening balance, 1 January	12,256,844	7,391,322
Additions during the year	17,018,585	5,053,614
Impairments during the year	-	(188,092)
Closing balance, 31 December	**29,275,429**	**12,256,844**

13. Capital work in progress (continued)

Capital work in progress ('WIP') relates to major refurbishment and construction work on the Company's leased assets and major projects. The current work in progress predominantly relates to construction and improvements to the new Tisa Rua fit out, one of the rented properties of the Company.

Projects which are identified as capital projects such as new buildings, extensions to existing buildings, infrastructure additions or major refurbishments are capitalised as expenditure to buildings at cost. The Company conducts a full valuation of the assets every three years and an internal Directors' valuation for the interim years. Details of any additions airing from capital or maintenance projects, which are part of complex assets will be advised to the professional valuer and be included in the annual valuation process.

14. Government securities

	2023 K	2022 K
Central bank and treasury bills	53,254,542	33,875,683
Total Government securities	**53,254,542**	**33,875,683**

Government debt securities and investments in treasury bills, measured at amortised cost that have maturity of more than 90 days from the balance date and provide a return ranging from 2.25% to 3.55% (2022:1.95% to 4.55%) per annum.

15. Loans and advances

The effective interest rates charged to customers vary from 15% to 25% (2022: 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.

Loans and provisioning		
Loans receivable - current	23,676,322	22,142,695
Loans receivable – noncurrent	36,075,472	34,313,159
Total loans receivable	59,751,794	56,455,854
Expected credit loss allowances (note 24.1)	(16,579,364)	(3,956,769)
Net loans	**43,172,430**	**52,499,085**

Allowance for impairment losses		
Opening balance	3,956,769	2,093,423
Increase in provisions (note 9)	12,715,070	4,322,172
Bad debts written off	(92,475)	(2,458,826)
Closing balance	**16,579,364**	**3,956,769**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

16. Cash and cash equivalents

	2023 K	2022 K
Petty cash	2,000	2,000
Cash on hand and at bank	14,016,716	29,858,958
Total Government securities	**14,018,716**	**29,860,958**

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.

17. Receivables

Rent receivables	68,481	2,565,292
Less: Allowance for bad debts	-	-
Net rental receivables	**68,481**	**2,565,292**
Other debtors	821,087	424,992
Intercompany – Parent*	48,465,980	68,521,306
Prepayments	686,726	921,216
Interest receivable	502,189	445,312
Subtotal prepayments, interest other receivables	**50,475,982**	**70,312,826**
Total receivables	**50,544,463**	**72,878,117**

* The balance of K48,465,980 (2022: K68,521,306) is made up of receivables from parent company. The receivables largely relate to shares issued in the previous year (note 28). The intercompany receivable is interest free and is expected to be settled in full by year 2025 through a board approved intercompany debt settlement plan.

18. Employee provisions

Employee provisions		
Annual leave	155,329	159,358
Long service leave	111,706	134,005
Total employee provisions	**267,035**	**293,363**

19. Deposits

	2023 K	2022 K
Deposits		
Short term deposit	48,081,311	61,882,770
Long term deposit	20,195,351	6,750,154
Total deposits	**68,276,662**	**68,632,924**

Deposits earn fixed interest at 1.50% to 7.50% per annum (2022: at 1.50% to 7.50% per annum) depending on the term.

20. Creditors and accruals

Creditors and accruals		
Accrued expenses*	2,985,047	1,480,295
Trade creditors	207,378	-
Sundry creditors	402,817	627,467
Accrued interest expense on deposits	1,783,607	2,356,082
Total claims liabilities	**5,378,849**	**4,463,845**

* The accrued expenses for the year ended 31 December 2023 amounting toK2,985,047 (2022: K1,480,295) relate primarily to the outstanding shared service fee being charged by the parent company. As part of the intercompany debt settlement, the balance will be set off against the receivable from parent company.

21. Lease liability

Lease liability	4,870,300	2,199,135
Total lease liabilities	**4,870,300**	**2,199,135**
Maturity Analysis:		
Year 1	2,058,036	936,936
Year 2	1,613,640	936,936
Year 3	1,613,640	575,848
Gross	5,285,316	2,449,720
Unearned interest	(415,016)	(250,585)
	4,870,300	**2,199,135**
Amount recognised in profit or loss	341,602	162,158
Amount recognised in statement of cash flows	1,086,117	1,303,609

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

21. Lease liability (continued)

	2023	2022
	K	K
Opening balance, 1 January	2,199,135	3,502,744
Additions	3,757,282	-
Capital repayments	(1,086,117)	(1,303,609)
Closing balance 31 December	**4,870,300**	**2,199,135**

Leased office space including car park and naming rights at TCF Haus, Waigani and Tisa Ruma (formerly Heritage Centre).

22. Income tax

22.1 Income tax expenses

Current tax	3,096,986	1,777,937
Under/(Over) in tax expense/(benefit)	(52,723)	282,210
Deferred tax	(3,657,010)	(159,054)
	(612,747)	1,901,092
Accounting profit/(loss) before taxation	(3,752,782)	6,220.903
Deductible expense - lease payments	(1,120,769)	(1,180,318)
	(4,873,551)	5,040,584
Tax on the profit / (loss) for the year at 30%	(1,462,065)	1,512,175
Taxation effect of permanent differences		
- Non-deductible items	-	265,761
- Deductible items	(391,495)	
Taxation effect of temporary differences		
- Non-deductible items	6,546,868	
- Deductible items	(1,596,322)	
	3,096,986	**1,777,937**

22.2 Income tax receivable

Opening balance of income tax	(1,304,811)	2,419,092
Current tax payable	3,096,986	1,777,937
Under/(Over) provision - previous year	-	282,210
Payments during the year	(2,273,303)	(5,784,050)
Closing balance of income tax receivable	**(481,128)**	**(1,304,811)**

22. Income tax (continued)

22.3 Deferred tax balance

Deferred tax assets and deferred tax liabilities as at 31 December 2023 and 2022 are attributable to the items as detailed in the table below:

	Assets	Liabilities	Net
As at 31 December 2023			
Provisions and accruals	5,584,829	-	5,584,829
Lease Liability	1,461,090	-	1,461,090
Prepayments	-	(43,694)	(43,694)
Right of Use Asset	-	(2,474,856)	(2,474,856)
Unearned interest income	-	(150,657)	(150,657)
	7,045,919	**(2,669,207)**	**4,376,712**

As at 31 December 2022

	Assets	Liabilities	Net
	K	**K**	**K**
Provisions	1,297,489	-	1,297,489
Prepayments	-	(567,123)	(567,123)
Other	-	(10,664)	(10,664)
	1,297,489	**(577,787)**	**719,702**

23. Capital

	2023	2022
	K	**K**
Issued and pully paid, 166,700,001 ordinary shares at K1.00 Each (2022:166,700,001 ordinary shares at K1.00 each)	166,700,001	166,700,001

24. Financial instruments and risk management

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

Financial risk factors

Risk management is carried out by executive management under policies approved by the Company's Board of Directors. The Company caters for the funding of its clients 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

24. Financial instruments and risk management (continued)

24.1. 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:

	2023	2022
Assets bearing credit risk	**K**	**K**
Cash and cash equivalents	14,018,716	29,860,958
Rental and other receivables	50,544,463	72,878,117
Net loans to members and customers	43,172,430	52,499,085
Total assets	**107,735,609**	**155,238,160**
Loans		
Loans backed by collaterals	15,728,933	15,711,285
Loans without collaterals	44,022,861	40,744,569
Total assets	**59,751,794**	**56,455,854**

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.

Credit risk analysis		
Stage 1 - 12 month ECL	40,292,548	47,150,570
Stage 2 - Life time ECL	2,957,455	4,324,050
Stage 3 - Life time ECL	16,501,791	4,981,234
Gross carrying amount	59,751,794	56,455,854
Allowance for credit loss	(16,579,364)	(3,956,769)
Net carrying amount	**43,172,430**	**52,499,085**

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).

24. Financial instruments and risk management (continued)
24.1. Credit risk (continued)

2023

	Stage 1 K	Stage 2 K	Stage 3 K	Total K
Balance as at 1 January 2023	**864,392**	**680,181**	**2,412,196**	**3,956,769**
Transfer to Stage 1	82,774	(35,679)	(47,095)	-
Transfer to Stage 2	(34,732)	195,491	(160,759)	-
Transfer to Stage 3	(76,382)	(583,825)	660,207	-
Net remeasurements	**(28,340)**	**(424,013)**	**452,353**	-
New financial assets purchased or originated	716,802	556,823	11,441,445	12,715,070
Write offs and transfers from savings	-	-	**(92,475)**	(92,475)
Balance as at 31 December 2023	**1,552,854**	**812,991**	**14,213,519**	**16,579,364**

2022

	Stage 1 K	Stage 2 K	Stage 3 K	Total K
Balance as at 1 January 2022	**948,870**	**341,836**	**802,719**	**2,093,425**
Transfer to Stage 1	92,367	(42,265)	(50,102)	-
Transfer to Stage 2	(65,713)	162,438	(96,725)	-
Transfer to Stage 3	(47,495)	(69,796)	117,291	-
Net remeasurements	**(20,841)**	**50,377**	**(29,536**	-
New financial assets purchased or originated	175,628	347,549	3,724,487	4,247,664
Write offs and transfers from savings	(239,265)	(59,581)	(2,085,474)	(2,384,320)
Balance as at 31 December 2022	**864,392**	**680,181**	**2,412,196**	**3,956,769**

24.2. 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 term deposits. The consequence may be the failure to meet obligations to repay clients and fulfil 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 sizeable 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 2023 and 31 December 2022 based on contractual repayment obligations.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

24. Financial instruments and risk management (continued)
24.2. Liquidity risk (continued)

	Total	At Call	0-3 months	3 mnths-1 Years	1-5 Years	More than 5 Years	Weighted Average Rate p.a
31 December 2023	**K**	**K**	**K**	**K**	**K**	**K**	**%**
Assets							
Cash and cash equivalents	14,018,716	14,018,716	-	-	-	-	nil
Receivables	50,544,463	-	-	2,078,483	48,465,980	-	nil
Net loans	43,172,430	-	-	43,599	31,813,683	11,315,148	20%
Government debt securities	53,254,542	-	-	53,254,542	-	-	nil
Total undiscounted cash inflows	160,990,151	14,018,716	-	55,376,624	80,279,663	11,315,148	
Liabilities							
Deposits	68,276,662	-	4,192,918	44,651,270	6,587,173	12,845,301	4.60%
Creditors and accruals	5,378,849	-	-	3,595,242	-	1,783,607	nil
Lease liability	4,870,300	-	-	1,174,218	3,696,082	-	nil
Employee provisions	267,035	-	-	155,329	111,706	-	nil
Total undiscounted cash outflows	78,792,846	-	4,192,918	49,576,059	10,394,961	14,628,908	
Net surplus/(exposure) 2023	82,197,305	14,018,716	(4,192,918)	5,800,565	69,884,702	(3,313,760)	

24. Financial instruments and risk management (continued)

24.2. Liquidity risk (continued)

	Total	At Call	0-3 months	3 mnths-1 Years	1-5 Years	More than 5 Years	Weighted Average Rate p.a
31 December 2022	**K**	**K**	**K**	**K**	**K**	**K**	**%**
Assets							
Cash and cash equivalents	29,860,958	29,860,958	-	-	-	-	nil
Receivables	72,878,117	-	-	28,656,812	44,221,306	-	nil
Net loans	52,499,085	-	-	51,615	39,051,969	13,395,501	20%
Government debt securities	33,875,683	-	-	33,875,683	-	-	4%
Total undiscounted cash inflows	**189,113,843**	**29,860,958**	**-**	**62,584,110**	**83,237,275**	**13,395,501**	
Liabilities							4.6%
Deposits	68,632,924	-	5,368,822	56,226,598	7,037,504	-	
Creditors and accruals	4,463,845	-	-	4,463,845	-	-	nil
Lease liability	2,199,135	-	-	1,099,568	1,099,568	-	nil
Employee provisions	293,363	-	-	159,358	134,005	-	nil
Total undiscounted cash outflows	**75,589,267**	**-**	**5,368,822**	**61,949,369**	**8,271,076**	**-**	
Net surplus/(exposure)	**113,524,576**	**29,860,958**	**(5,368,822)**	**634,742**	**75,002,199**	**13,395,501**	

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

24. Financial instruments and risk management (continued)

24.3. 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:

Fixed rate instruments (financial assets and liabilities)

	2023	2022
	K	K
Central Bank treasury bills	53,254,542	33,875,683
Net loans	43,172,430	52,499,085
Total interest-bearing assets	**96,426,972**	**86,374,768**
Deposits	68,276,662	68,632,924
Lease liability	4,870,300	2,199,135
Total interest-bearing liabilities	**73,146,962**	**70,832,059**

Deposits earn fixed interest at 1.50% to 7.50% per annum (2022: at 1.50% to 7.50% per annum) depending on the term.

24.4. 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.

24.5. Fair value of financial instruments

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 investment refer to Note 7 (d);
- 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)

25. Employees

The number of people employed by the Company as at 31 December 2023 is 58 (2022: 42).

26. 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 required 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 capital ratio.

As at 31 December 2023, 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 assets including deferred tax assets. Tier 2 capital cannot exceed the amount of tier 1 capital and can include subordinated loan capital, specified asset revaluation reserves, un-audited profits (or losses) and a small percentage of general loan loss provisions. The leverage capital ratio 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.

	2023	**2022**
Core capital ('000)	166,700	166,700
Supplementary capital ('000)	(774)	6,740
Risk weighted assets ('000)	152,079	193,619
Total assets (less goodwill, intangible assets, future income tax benefit operating losses carried forward and encumbered assets)	170,895	172,902
Tier 1 Risk based capital ratio (Core capital/Risk weighted assets)	112.4%	89.3%
Total risk-based capital ratio (Supplementary capital/Risk weighted assets)	111.9%	92.8%
Leverage capital ratio (Core capital/Total tangible assets)	75.1%	68.7%
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	6.00%	6.00%

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

27. Retirement benefits

The Company participates in the National Superannuation Fund Limited in respect of its national employees. The employer contribution rate is 12%. Employer contributions during the year amounted to K201,100 (2022: K206,321)

28. Related parties

The total value of the loans that are made to staff and directors as at 31 December 2023 is K 8,998,403 (2022: K9,279,351). 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. Teachers Savings & Loan Society Limited owns 100% of the shares in the Company.

Intercompany transactions, including a term deposit of Knil(2022: K5,000,000) made from Teachers Savings & Loan Society Limited to the Company. The loan is payable within a 5-year intercompany debt settlement plan from year 2022 and does not have a provision for interest.

Total deposits by directors and staff amounted to K93,440 (2022: K308,143). Term deposit ranging from 3 months to a year and interest ranging from 1.5% to 2% per annum (2022: 1.5% to 6.5%).

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 received, exceeded K100,000, falls within each relevant K50,000 band of income as follows:

	2023 No.	2022 No.
K100,000 – K149,999	-	1
K150,000 – K199,999	1	-
K200,000 – K249,999	-	-
K250,000 – K299,999	1	-
K300,000 – K349,999	1	2
K350,000 – K399,999	1	-
K400,000 – K449,999	-	1
K450,000 – K499,999	1	-
K500,000 – K549,999	1	-
K550,000 – K999,999	1	-
	7	4

28.2 Key management personnel remuneration and specified directors

The specified executives of TCF during the year were:

- Mr. Sunil Pokharel – Chief Executive Officer
- Mr. Pradeep Pradhan – Chief Operating Officer, 4th September 2023
- Mr. Sachin Rayamajhi – Chief Risk Officer
- Mr. William Koregai – Chief Operating Officer, 29th March 2021 to 3rd September 2023, Acting Chief Executive Officer, 18th July 2022 to 9th March 2023
- Mr. Francis Pahun – Head of Recovery
- Ms. Helen Ove - Head of Retail Lending
- Mr. Sujan Dhungana – Head of Business Strategy & Implementation

28. Related parties (continued)
28.2 Key management personnel remuneration (continued)

Specified executives and directors' remuneration in aggregate:

	Primary			Post-employment			Equity	Other	
	Salary & fees	Bonus	Non-monetary	Superannuation	Prescribed benefits	Other	Options	Benefits	Total
	K	K	K	K	K	K	K	K	K
Specific executives									
2023	1,937,964	-	33,750	86,218	587,303				**2,645,235**
2022	727,981	-	11,375	72,960	208,000	-	-	-	**1,020,316**
Specified Directors									
2023	1,166,899	-	-	-	-	-	-	-	**1,166,899**
2022	1,142,548	-	-	-	-	-	-	-	**1,142,548**

28.3 Transaction with directors
Other than remuneration, the directors and secretary of the Company had an aggregate loan balance of K3,352,600 (2022: K3,450,099). 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.

The Company expects a capital outlay of K9,950,000 (2022: K8,994,000) for various improvements of its investment property, TISA Haus, Waigani. There are no contractual capital commitments as at 31 December 2023.

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

31. Subsequent events
31.1 Civil unrest in Papua New Guinea
After the period covered by these financial statements, on 10 January 2024, Papua New Guinea encountered significant civil unrest in Port Moresby, subsequently spreading to Lae and other urban centres. The unrest resulted in widespread rioting and disturbances, leading to the looting and damage of numerous shops and businesses. However, this is not expected to have any financial impact on Tisa Community Finance Limited.

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 date of this report, any other item, transaction or event of material and unusual in 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 year.

End of Financial Statements

Tisa Community Finance

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