Teachers Savings and Loan Society

TISA
TEACHERS SAVINGS AND LOAN SOCIETY LIMITED

Annual **Report** 2023

A LEGACY OF TRUST:
INVESTING IN FUTURE PROSPERITY

www.tisa.com.pg

2023

Financial Performance Snapshot

NET ASSETS & EQUITY

K568.42 million

INCREASE BY **5%** from 2022

TOTAL CONSOLIDATED ASSETS

K1.18 billion

INCREASE BY **4%** from 2022

ADDITIONAL BONUS INTEREST

7%

K24.29 million

PAID TO MEMBERS

NET LOAN PORTFOLIO

K359.50 million

INCREASE BY **10%** from 2022

SAVINGS & DEPOSITS

K473.43 million

INCREASE BY **3%** from 2022

TOTAL INCOME

K171.68 million

INCREASE BY **1%** from 2022

TOTAL EXPENSES

K118.70 million

INCREASE BY **35%** from 2022

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ABOUT US

Locally Owned:

We are a proud locally owned financial institution owned by over 82,000 Papua New Guineans.

Established Presence:

Established in 1972 we are the largest and longest-running Savings and Loan Society in PNG and the Pacific.

Committed Service:

Our commitment is to serve Papua New Guineans and improve the wellbeing of our people and communities.

Extensive Reach:

With a footprint in 17 provinces, we are a truly local institution, conveniently serving our nationwide membership.

Dedicated Team:

Our team of more than 400 skilled professionals is committed to providing exceptional customer service and unapparelled financial expertise.

GABV Membership:

As a proud member of the Global Alliance for Banking on Values, we are committed to the shared mission to put finance at the service of people and planet.

Community Engagement:

Through our proactive community engagement support, we aim to improve the quality of life for our members and communities.

OUR VISION, MISSION AND VALUES

With over 82,000 members and presence in 17 provinces across the country, TISA is a truly local financial institution, conveniently serving its nationwide membership.

OUR VISION STATEMENT

Not for Profit, Not for Charity but for Service.

OUR MISSION STATEMENT

We aim to provide the best sustainable service to our members by understanding their needs, educating them in responsible savings and borrowing behaviours and; continually developing our people, products, processes and our financial standing.

OUR VALUES

Our values are the foundation of how we work. They underpin our behaviors, guide our decision making on what is important and what is right. We care about:

For Good: We focus simultaneously on People, Planet and Prosperity.

For Relationships: We establish strong relationships with our customers and are directly involved in understanding and analysing their economic activities and assisting them to become more value-based themselves.

For Our People: We embed our values in the culture in our organisation so that they are routinely used in decision-making at all levels.

For Future: We adopt a long-term perspective to make sure we can maintain our operations and be resilient in the face of external disruptions.

For Openness: We maintain a high degree of transparency and inclusiveness in governance and reporting.

For Our Communities: We serve our communities to meet their financial needs by financing people and enterprises engaged in productive and sustainable economic activities.

CHAIRMAN'S MESSAGE

A Legacy of Trust: **Investing in Future Prosperity**

Dear Shareholders and Stakeholders,

I am honored to address you as we reflect on another year of growth, resilience, and commitment to our core values.

As Chairman of the Board of Directors, it is my privilege to present the 2023 Annual Report for Teachers Savings and Loan Society (TISA), a testament to our legacy of trust and our unwavering dedication to investing in people, planet and prosperity.

Throughout our history, TISA has stood as a beacon of reliability and integrity in the financial industry in Papua New Guinea.

Our commitment to serving our members and communities has been the cornerstone of our success, and it continues to guide us as we navigate the ever-evolving landscape of finance and technology.

In 2023, despite facing challenges, we remained steadfast in our mission to empower individuals and families to achieve their financial goals. Our focus on prudent risk management, innovation, and customer-centric solutions enabled us to weather storms and emerge stronger than ever before.

Your Trust is our Strength

Central to our success is the trust placed in us by our members, customers, and partners. At TISA, trust is not merely a word but a cornerstone of everything we do. It is built through transparency, accountability, and a relentless commitment to doing what is right overtime. As custodians of this trust, we recognise the profound responsibility entrusted to us and pledge to uphold the highest standards of ethics and governance.

Global Alliance for Banking on Values

As a proud member of the Global Alliance for Banking on Values (GABV), we are committed to the shared mission to put finance at the service of people and planet. This commitment underscores our belief that banking can be a force for positive change, driving sustainable development and fostering economic inclusion.

“Throughout our history, TISA has stood as a beacon of reliability and integrity in the financial industry in Papua New Guinea.”

Strategic Investments

Our investments extend beyond financial products and services; they encompass investments in people, communities, and the future. We are proud to support initiatives that promote financial literacy, educational opportunities, and sustainable development. By empowering individuals with knowledge and resources, we lay the foundation for a more prosperous and equitable society.

Furthermore, I am delighted to share with you the significant progress we have made towards our goal of becoming a bank. We have acquired Flexcube, a world-class core banking system, developed by Oracle. This new core banking system will empower us to enhance efficiency, expand our product offerings, and deliver a seamless banking experience to our customers. Furthermore, key personnel have been hired, and our operational readiness is on the verge of completion.

As we transition into this new phase of our journey, we remain committed to upholding our values and fulfilling our mission of serving our community with excellence and integrity.

We have a strong focus on the real economy and are confident that our transformation into a bank will enable us to better serve the evolving needs of our customers and contribute to the economic development of Papua New Guinea.

Financial Performance and Interest Payment to Members

The TISA Group made a profit of K50.4 million after taxes for the 2023 financial year and achieved a record balance sheet total of K1.18 billion. TISA also saw a modest increase in total income of K2.1 million and a 4% growth in Group Assets, reaching K1.182 billion compared to 2022.

The significant growth in assets, loans, and deposits, along with strategic investments, positions TISA well for sustained success and long-term financial stability.

The Board has approved a seven percent (7%) additional bonus interest payment to our members, totalling K24.69 million (2022: K30.22 million comprising an additional bonus interest of 7%, being K23.51 million and a one-off special 50th Anniversary bonus interest of 2%, totalling K6.72 million). This additional bonus interest payment underscores TISA‘s unwavering commitment to the financial success and well-being of its members.

Looking ahead with Purpose

Looking ahead, we are excited about the opportunities that lie before us. The financial landscape is evolving rapidly, driven by technological advancements, changing consumer preferences, and global trends. As we embrace these changes, we remain committed to staying true to our values and fulfilling our mission of helping people build sustainable wealth. Our commitment to serving extends beyond rhetoric; it is embedded in our DNA.

In closing, I extend my heartfelt gratitude to our dedicated employees, whose hard work and dedication are the driving force behind our success. I also extend my thanks to our valued shareholders, customers, and partners for their continued support and trust.

As we embark on the journey ahead, let us reaffirm our commitment to our legacy of trust and our shared vision of building a future of prosperity for all.

Sincerely,

Gabriel Tai, MAICD
Chairman of the Board of Directors
Teachers Savings and Loan Society

GROUP CEO'S REPORT

To our valued shareholders,

As we reflect on our journey together, the theme 'A Legacy of Trust: Investing in Future Prosperity' resonates deeply. It is not merely a guiding truth; it has been the bedrock of the growth of the Society. For over half a century, we have stood as partners to you, serving you. Our legacy rests upon the trust you have placed in us - a trust built over many decades of unwavering commitment to your financial well-being.

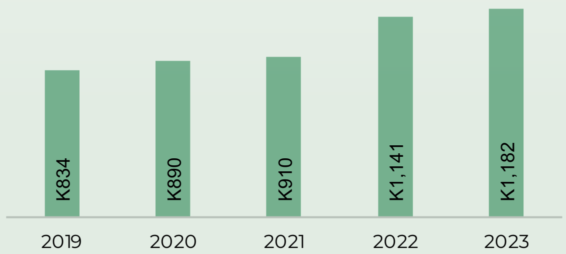
As shared over the last couple of years, the Society is transforming and growing and we are now on the cusp of building a company that will not only enhance service to our people but also yield considerable advantages to you and your family. This is an ongoing process, and the year 2023 was a significant part of this journey. We are investing in the future and this necessitates substantial investment and careful management. But we believe that the rewards for you and your family far outweigh the challenges.

Despite business transformation and a difficult economic and business climate, the Group achieved resilient outcomes this year. Total assets grew to K1.18 billion (2022: K1.14 billion), equity reached K568.42 million (2022: K538.85 million), and profit after tax amounted to K45.96 million (2022: K76.49 million).

Financial Results

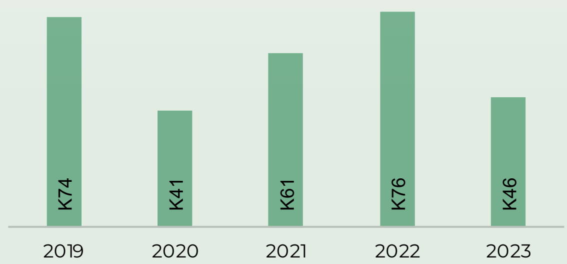
Assets

The Group's total assets increased by 4% to K1.18 billion, mainly due to growth in the TISA loan book portfolio and capital expenditure.



Profitability

The Group recorded a profit result of K45.96 million after tax for the 2023 year, a decrease of 40% from the previous year. The decrease was largely due to loss of income from disposed BSP shares and an increase in operating expenses and impairment on loans to recognise expected credit losses.



The total interest paid to members for the 2023 financial year amounted to K32.50 million. This comprises monthly interest paid to savings accounts throughout the year of K8.21 million and an additional K24.29 million, which represents 7% of the S1 general savings.

Preparing for Banking

The key focus for 2023 was preparing to become a commercial bank. Having received the 'Approval in Principle' licence from the Bank of PNG in 2022, we have been working diligently behind the scenes to ready ourselves. Some of the key initiatives undertaken during the year include:

- replacing our legacy core banking system with the latest version of the Oracle Flexcube core banking system;
- building a new Tier 2 Data Centre that houses our IT infrastructure and provides us with the capacity and resilience needed to support our operations;
- installing new digital banking applications that will allow us to offer our customers the convenience of banking from anywhere, at any time and help us reach a wider audience, and;
- hiring seasoned banking professionals who bring with them a wealth of experience and expertise, which will be invaluable in guiding our bank towards success.

We are ready to operate as a Bank and we look forward to the Bank of PNG granting us approval to commence banking operations.

Growing with values and principles

As we continue to grow and transform, it is important to do so ethically. This year marks our second year of association with the Global Alliance for Banking on Values (GABV). We became a full member of the alliance in 2023. Our involvement in the alliance goes beyond mere membership; we've made a concerted effort to weave its values and principles into our culture and the core of our business operations. The GABV has offered us a platform to engage with institutions that share our values, learn from their experiences, and contribute to the shared objective of establishing a sustainable banking system. Our affiliation with the GABV has strengthened our dedication to social and environmental responsibility, and it continues to motivate us to strive for a brighter future.

Demutualisation

While the Bank has received significant attention, demutualisation remains a top priority. We are eagerly anticipating the launch of our commercial bank to further the resolution that was also approved by members in 2010.

In conclusion, our plan to transform the Company is a bold step forward. It is a step that we believe will secure your Company and deliver wealth to you and your family. As we continue the journey, we will honor this legacy of trust and ensure that the Company remains true to its DNA of people helping people. Together, we can actively shape a future where financial security and prosperity are accessible to all and our environment is protected.

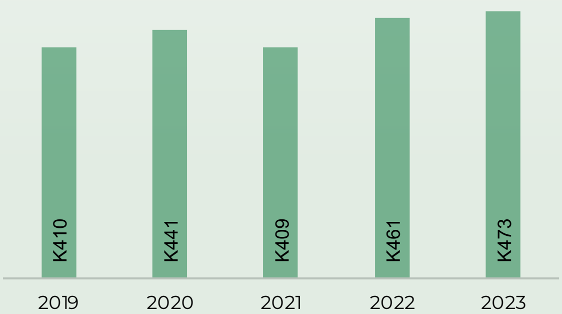
Thank you for your trust, membership, and commitment to our shared vision. Here's to our continued success and to the future.

Sincerely,

Michael O Koisen, OBE ML
Group Chief Executive Officer

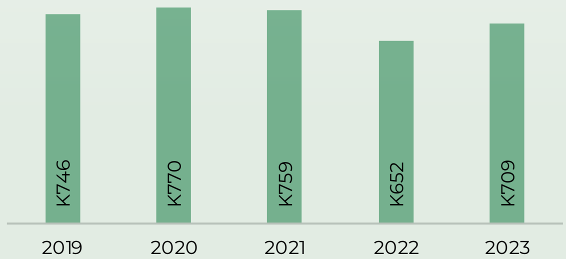
Savings and Deposits

The Group's savings and deposits increased by 3% to K473.43 million during the year, mainly due to TISA members' savings contributions.



Investments

The Group's investments comprise loans, investment properties, equities, interest-bearing deposits, and government securities. The Group's total investment portfolio increased by 3% to K709.28 million, driven by growth in the Society's loan book. The Group's net loan portfolio increased by 10% to K359.49 million.



EXECUTIVE MANAGEMENT

Michael Koisen
Group Chief Executive Officer

Luke Kaul
Group Chief Operating Officer

Samit Kumar Bhatnagar
Chief Information Officer

Philip Hehonah
Company Secretary & Head of Legal and Compliance

SENIOR MANAGEMENT

Geoffrey Ochieng
Head of Applications

Helen Ove
Head of Retail

Geraldine Vilakiva
Head of Brand, Communication & Marketing

Albertha Lavi
Head of Product Management

Georgina Ahwong
Head of E-Channels

Aileen Watangia
Head of IT

Anna Leidimo
Head of People & Culture

Jennifer Galindo
Head of Internal Audits & Advisory

OUR IMPACT

OUR **CUSTOMERS**

In 2023, TISA experienced significant growth in membership, increasing from 70,000 to over 82,000. This growth was driven by a series of strategic initiatives.

Towards the end of the year, we launched a targeted campaign aimed at fostering continuous growth and enhancing member engagement, aligning with our organisation goals. This effort played a pivotal role in expanding our member base. This campaign included various initiatives:

- Employer visits: We conducted visits to reach potential members and participateded in local events, showcasing our products and services to a broader audience and; ensuring a steady influx of new members and maintaining growth momentum.
- Community Engagement: Our purpose extends beyond financial services to active community participation. By engaging with our communities through sponsored community events, we increased our visibility, member interactions, and fostered strong community relationships. This demonstratees our commitment to improving the wellbeing and development in the communities we serve.

At TISA, our main goal is our members' financial well-being. This year, we received K284 million in ddeposits and provided K316 million in loans. These financial milestones show our dedication to providing valuable financial services that meet the needs of our members and reflects the trust and confidence our members have in TISA.

Additionally, we prioritised ongoing professional development for our staff, resulting in improved service quality and member experience.

This includes enhancing our digital platforms to provide convenient and accessible services. These enhancements include digital communication channels for real-time communication and quicker resolution for inquiries. Furthermore, we're improving our Contact Centre by enhancing staff training and providing new technologies to improve response times and service quality.

To support the upcoming Core Banking System rollout, we undertook a comprehensive member data update ensuring a smooth transition and accurate and up-to-date member information.

Through these comprehensive efforts, TISA has not only increased our membership but also strengthened its relations with its members, positioning itself as a trusted and integral part of the communities we serve.

David Rolpagarea, State Solicitor
Public Solicitor's Office

Member **Testimonial**

State Solicitor, David Rolpagarea, has been a member of TISA for over twenty years. When he joined TISA in 1998, his only reason for becoming a member was because he needed a loan.

"What I didn't realise at the time was that I was making a financial decision that would become my financial security in the future.

I joined TISA because I wanted to get a loan. After receiving the loan, I started repaying my loan and I forgot to check after some time if I had completed my loan or not."

After a few months he realised he had repaid his loan and he had not stopped his deductions.

"When I realised that I had repaid my loan and my salary was still being deducted, I went to the Port Moresby branch to find out where my money was going to and with the intention to ask TISA to reimburse me."

Mr. Ropagarea did not know was that even though he had completed his loan repayment, the money that was deducted from his salary to TISA was put in his savings. When he found out, he decided that he would continue to save with TISA.

"I consider my TISA savings as my lus tingting account, I continue to save and the savings I have with TISA has helped me as security over the years."

Mr. Ropagarea has been an advocate for TISA at the Department of Justice and Attorney General's Office, encouraging young lawyers to save with TISA as he has seen and experienced the benefits of saving with TISA over the years.

"Im looking forward to when TISA becomes a bank as this would bring a lot of competition to the financial sector space and will benefit the members."

OUR PEOPLE

TISA Group currently has 412 active employees and champions a diverse and inclusive work environment. We believe diversity and inclusion are crucial to our success and we aim to create a workplace where every feedback is valued, respected, and empowered.

Championing this has led to tangible outcomes for our organisation, our people, and the work culture that we strive to create. We have seen increased collaboration amongst our teams, resulting in positive business results and improved performance.

This year, we have intensified our recruitment efforts to attract top talents from diverse backgrounds. This approach not only enriches our workforce but also ensures a broader spectrum of perspective and experiences within our team.

Learning and Development

Recognising the importance of gender diversity in leadership, we have actively supported women leaders within our organisation. We are pleased to report an increase in the number of women leaders heading our key business units.

To empower these leaders further, we have implemented inclusive leadership trainings aimed at equipping them with the skills and tools necessary for success in their roles.

Two of our female employees were also enrolled in the Leadership Academy with Global Alliance on Banking with Values. This course has enhanced and broaden their knowledge and skills in performing their roles and leading their teams respectively.

Key trainings for our people this year were focused on our new Core Banking System and getting our people ready for the Bank business. We also supported external trainings aimed at upskilling our people so they can perform effectively at their jobs.

Employee Engagement

Employee engagement is vital for our organisation's success. This year, we have focused on developing and creating engagement activities that not only resonate with our diverse workforce but also align to our purpose and strategic goals.

Compensation and Benefits

Compensation and Benefits are integral components of our People and Culture strategy. We are continuously working towards ensuring our people are compensated based on market value and are committed to improving their work benefits. A key highlight was the launch of our Staff Loan Packages in December. This is the first time we have developed products for our people. We know having a home is crucial so we are making home ownership more attainable for them through this staff package which will not only boost their wellbeing and financial security but also benefit their families in the long run.

Looking ahead, we remain commitment to advancing our diversity and inclusion strategy. We will continue to refine and expand our initiatives to create a workplace where every employee feels valued and empowered to contribute their best.

We thank our employees, partners, and stakeholders for their dedication and support in creating a workplace that celebrates diversity and fosters inclusion.

412
active employees

83
new employees recruited in 2023

1394
employees attended trainings

4,280
number of hours of training

3
of leadership trainings

7
women as heads of business out of a total of 11

83
of staff on housing / rental benefits

Opening of our new Tier 2 Data Center in November, 2023.

Staff training on our new Core Banking System.

More staff training on Flexcube, our new Core Banking System.

Our branch managers from all our 17 branches attended a workshop in Port Moresby.

One of our senior managers, John Simango doing a Leadership Training presentation to students and staff at the University of Papua New Guinea.

OUR COMMUNITIES

At TISA Group, we believe as a member-owned financial institution, we are committed to making an impact on things that our members and communities care about.

Guided by our membership in the Global Alliance Banking on Values (GABV) and our Purpose to improve the quality of life for our communities, we support programs that have meaningful impacts.

This year we supported 12 government, private and not-for-profit organisations with a total of K192,200 to support programs on education, women and youth empowerment, social equality and inclusion and financial inclusion.

We believe in the transformative power of education in breaking the cycle of poverty and we sponsored various education programs that assisted with capacity building and training. We also partnered with organisations dedicated to advocating for marginalised groups, by supporting their programs that strive to create a society where everyone is treated equally and inclusively.

In addition, we also supported various community events. Our commitment to social responsibly is unwavering, and we are proud of the progress we have made this year.

Life PNG Care

Life PNG Care is a not-for-profit organisation that aims to promote, support and initiate grass roots social aid program for orphaned and abandoned street children in Port Moresby and Lae.

Established in 2014 by Collin Pake Yakio and his wife Freda Yakio, Life PNG Care provides three community impact projects that include Special Education Support Program, Our of Home Care Service and Community Outreach and Counselling Service for orphaned and abandoned children.

They currently have 75 children residing in their Port Moresby Family Home Care and 50 children in their Lae Family Home Care.

Under their Special Education Support Program, the organization has more than 600 underprivileged children attending schools from Elementary to Tertiary schools.

And since its inception this program has assisted over 1200 underprivileged children attend school.

TISA's support has gone toward ensuring over 600 children that the organization supports continue to attend school as well as support the programs that Life Care PNG runs.

Our Group CEO Michael Koisen said, "The work Life PNG Care does, resonates well with our Purpose which is to improve the quality of life for our people and the communities we operate in and we are

happy to support the work that Life PNG Care is doing."

"2023 was a challenging year for us especially with the growing population and youth out on the street and out of school. We are grateful that TISA has the confidence in our community work to help our children," Collin said.

GABV **MEMBERSHIP**

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.

TISA is 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, TISA 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 members, 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 Tisa Community Finance 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.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2023

At TISA, we are committed to upholding the highest standards of corporate governance to ensure that we act responsibly, ethically, and with integrity in all our operations. We recognise that good governance is essential to the success and sustainability of our business and that it is our duty to ensure that we adhere to best practices and standards.

To this end, we have established policies and procedures to guide our corporate governance practices. Our Board and Management are responsible for ensuring that these policies and procedures are implemented effectively and that we remain in compliance with relevant laws and regulations. We regularly review and update our governance practices to align with evolving standards and best practices.

Our corporate governance practices are based on our core values of delivering the best possible customer services, empowering employees, maintaining and upholding ethical practices, supporting continuous learning, and accountability. We strive to integrate these values into all our governance processes, decision-making, and day-to-day operations.

We recognise the importance of stakeholder engagement in effective corporate governance and are committed to engaging with our customers, employees, suppliers, investors, regulators, and the wider community. We value their feedback and input and strive to incorporate their views and interests into our governance practices.

Directors and employees are expected to observe the highest standards of governance and ethical behavior at all times. We have established mechanisms for reporting and addressing any breaches or concerns related to governance or ethics.

In summary, our commitment to good corporate governance is unwavering, and we will continue to strive for excellence in this area to ensure the long-term success and sustainability of our business.“

The Board of Directors and their Roles

The Board of Directors play a crucial role in ensuring the effective governance and oversight of the TISA Group. Their responsibilities are clearly defined and in line with relevant laws, regulations, and the Society‘s Constitution. The Board is accountable to the mutual shareholders of the Group and operates in accordance with their powers and responsibilities.

The Board is responsible for developing the overall business strategy of the Society, including asset and investment management, risk management, and operational matters. They also approve the overall business strategy and annual budgets of the Society and provide proper oversight of accounting, fiduciary, regulatory, and operational practices.

In addition, the Board critically monitors the effectiveness of the business strategies and management‘s performance in delivering those strategies. They appoint, assess the performance, and if necessary, remove the Group Chief Executive Officer and the Company Secretary. The Board also appoints directors to the board of the Society‘s wholly-owned subsidiaries.

The Board is responsible for developing and setting policies covering lending, investment, procurement, capital expenditure, risk, and compliance. They also set policies covering essential human resources issues such as hiring and dismissal, terms of employment, minimum standards of conduct, performance expectations, occupational health and safety, training, and development. The Board performs other functions and duties consistent with the Society‘s Constitution and policies.

The Board has delegated the responsibilities of administering the Group‘s day-to-day business operations to the Group Chief Executive Officer and has ensured that they do not encroach upon the areas of day-to-day operational activities that are clearly the responsibilities of Management.

Finally, the Board is committed to upholding the World Council of Credit Unions Corporate Governance Council‘s ‘Principles of Good Corporate Governance and the Best

Practice Recommendations' and the principles of the Global Alliance for Banking on Values. This demonstrates the Board's commitment to adhering to best practices in corporate governance and ensuring the long-term success and sustainability of the TISA Group.

Board Composition

The Society's Constitution specifies that the Board of Directors should consist of no more than seven members, including up to four shareholder nominee directors and up to three independent directors. Each director serves for a term of three years and is eligible for re-appointment.

All directors must comply with the Fit and Proper Criteria of Section 9 and Schedule 2 of the Savings and Loan Societies Act 2015, TISA's Fit and Proper Person Policy, and any directives issued by the Central Bank of Papua New Guinea from time to time. The Fit and Proper requirements under the Act apply to both directors and senior management of the Society and are ongoing requirements.

The identities of the Directors serving on the Board during the year are provided in financial note 29.1 (Key Management Personnel Remuneration). It is important for the Society to adhere to these governance and regulatory requirements to ensure that the Board comprises qualified and competent individuals who can uphold the values and objectives of the Group.

Board Committee

The Board Audit Risk and Compliance Committee (BARCC) is a standing committee established to strengthen the effectiveness of the Board's operations and deliberations. Its purpose is to ensure that the Society is managed prudently and in compliance with laws, regulations, and industry standards.

The BARCC is mandated to review and monitor a range of areas, including the integrity of financial statements and the independent audit, adherence to regulatory reporting requirements, internal audit processes, internal controls and risk management, approval and monitoring of expenditures, compliance with laws and policies, insurance program, and other functions delegated by the Board.

The BARCC operates in accordance with the Prudential Standard BPS 300 (Corporate Governance) issued by the Central Bank and its own Charter, which covers its purpose, authority, roles, and responsibilities. The committee is currently composed of Mr. William Varmari as Chairman and Mr. Simon Woolcott and Con Nikolaou as members. The Company Secretary is the Secretary of the BARCC.

In addition to the BARCC, the Board may establish ad hoc committees from time to time to address specific matters of importance or to exercise delegated authority.

Board and Committee Meetings

The Board meets as needed or as determined by the Chairman, with a minimum of four meetings required to be held each financial year. The Board is required to meet at least once every quarter. Special meetings of the Board are held as necessary.

During the financial year 2023, the Board held a total of four scheduled meetings.Additionally, the BARCC held four meetings in the same financial year.

Board Access to Information and Advice

The Board of Directors has unrestricted access to all the Society's records and information, including quarterly detailed financial and operational reports, to enable them to carry out their duties effectively. Additionally, executive management presents divisional reports to the Board on a quarterly basis. The Chairman and Directors also meet regularly with the Group Chief Executive Officer and the executive management team for further consultation and to discuss issues related to their roles as Directors.

Remuneration of Directors

Directors are remunerated with an annual stipend as prescribed by the Society's Constitution, without any entitlement to separation, termination benefits, or other forms of payment. Additionally, Directors appointed to a Board Committee are eligible for an annual stipend paid quarterly. The remuneration of Directors is reviewed periodically by the Board to ensure that it remains fair and competitive, in line with industry standards and the Society's financial performance.

Disclosure of Material Interest by Directors

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

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

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

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

b. has a material financial interest in another party to a transaction involving the Society or a business enterprise in which the Group has an interest; or

c. has a close relative who is such a party or who will or may derive a material financial benefit or has such a material financial interest.

The Group has a Conflict of Interest and Gifts Policy that complements the Code of Conduct for directors and executive management and related prudential standards issued by the Central Bank. The Policy is designed to protect the Group's interest when it is contemplating entering into a contract or transaction that might benefit any personal interest of a member of the Board, management, staff and service providers of the Group or might result in a possible excess benefit transaction.

The Policy requires that in connection with any actual or perceived conflict of interest, an interested person must disclose the existence of all interest or circumstances that may give rise to a conflict of interest and be given the opportunity to disclose all material facts to the Board and management of the Society of which would influence his/her role considering a proposed contract or transaction.

The duty to disclose is carried out by way of completing a Conflict of Interest Disclosure Form on an annual basis or as a requirement of participating in a meeting. This form is completed by all members of the Board, management, and staff.

External Auditor

The Group's policy is to appoint external auditors who can clearly demonstrate quality and independence with respect to audit and assurance. External auditors are requested to submit a proposal for a three-year term of external audit services, and the selection of the external auditor is based on the assessment of their performance in other entities, existing value, experience, knowledge of the sector, the industry and cost. The performance of the external auditor is reviewed annually by the BARCC and recommendations are made to the Board regarding their continuation during their term of appointment.

KPMG was appointed as the Group's External Auditor in 2016 for a period of three years up to 2019. This appointment was extended for a further two years up to 2021 after approval was sought from the Bank of PNG and from shareholders. The appointment of KPMG was extended for a further three years in 2021 up to 2024. The extension of the engagement of KPMG ensured that the Group was compliant with the prudential standard BPS 7/2005 (External Auditors) issued by the regulator.

Internal Audit and Advisory

The Internal Audit and Advisory Department plays a crucial role in providing objective assurance and value-added services to the Group Chief Executive Officer and the Board. The department focuses on ensuring the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, compliance with all applicable laws, regulations, and contracts, as well as safeguarding of assets.

To achieve this, the department annually develops an audit plan that utilises risk analysis to identify major areas requiring audit attention. The plan is submitted to the BARCC for consideration and recommendation to the Board for approval. The Audit Charter governs the department's function and ensures its independence and that no unjustified restrictions or limitations are placed upon it.

The Head of Internal Audit and Advisory has direct access to the BARCC, while the Chairman of the BARCC has direct access to the full Board, allowing for effective communication and collaboration among the different levels of governance.

Compliance

The Compliance team is an integral part of the Legal Division, and it provides compliance and advisory support to the Society's operations. Its primary role is to ensure that the Society is compliant with all relevant laws and regulations, including those pertaining to anti-money laundering, data privacy, and consumer protection. The Compliance team also assists in the development and implementation of policies, procedures, and training programs to promote compliance across the Society. Furthermore, it monitors and assesses the effectiveness of the Society's compliance programs, and it conducts investigations into potential compliance violations. Ultimately, the Compliance team helps to safeguard the Society's reputation and protect it from legal and regulatory risks.

The Compliance team serves as a key resource to the BARCC in carrying out its responsibilities.

By working closely with the BARCC and Management, the Compliance team helps ensure that the Society maintains a culture of compliance and adheres to the highest standards of legal and regulatory compliance.

Risk Management

The Board is responsible for the overall risk management of the Group and ensures that risks are monitored and managed on a regular basis. The Board has delegated the risk management function to BARCC, which is responsible for providing quarterly reports and recommendations to the Board on the risk management activities of the Group. The executive management is responsible for risk identification, analysis and evaluation and provides quarterly reports to the BARCC.

The Board and management have ensured that efficient and effective risk management framework and adequate reporting systems, operational and financial internal controls, and their associated review functions (including internal audit) are in place to effectively monitor and manage the broad risk areas of strategic, financial, and operational risks. The specific risk areas identified and monitored in 2023 include strategic risk, credit risk, liquidity risk, interest rate risk, market risk, operational risk, and compliance risk.

The Board and management realises that it is a continual exercise and thus will continue to review our practices and work towards building our risk management practices to enable us to deal with any adverse situations in the future.

Risk Appetite Statement

The Group has a Risk Appetite Statement which describes the amount and types of risk, on a broad level, that the Society is willing to take to achieve its strategic objectives. The Risk Appetite Statement aligns the risk profile of the Society to its business and capital management plans by identifying the potential risks that the Group is exposed to and determines the appropriate level of appetite to each risk category. A risk management framework is in place to ensure these initiatives are prioritises appropriately and are managed, monthly reported to executive management and quarterly to the Board.

Code of Conduct

The Group's Code of Conduct (Code) guides all Directors and employees in the day-to-day discharge of their individual roles and responsibilities as employees of the Society. The Code has been incorporated into the Society's Standard Operating Procedures.

The Code requires that Directors and employees at all times act with the highest integrity, objectivity and comply with the Act, applicable regulations and policies and procedures of the Society. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standard of behavior and professionalism and the practices necessary to maintain a reputable institution.

Executive Management and Remuneration

The disclosure has been made at note 29.1 (Key management personnel remuneration) of the audited financial statement as at 31st December 2023.

Shareholders' (members) Communications

The Group publishes annual reports for members' interests. The annual report provides financial members with the financial status of the Society and its controlled entities. The Group promotes communications with members and encourages effective participation at Annual General Meetings.

Legal Matters and Society Lawyers

The in-house Legal team provides legal support to the Society's operations and advises the Board and management on legal and regulatory issues. The legal team also manages and oversees the Society's legal proceedings, including litigation, arbitration, and dispute resolution.

In addition to its in-house legal team, the Society engages external law firms on an as-needed basis to provide specialised legal advice and representation in specific areas of law. In 2023, the Society engaged Albatross Law and O'Brien's Lawyers to assist with outsourced legal matters.

TISA RECEIVES AWARD

2022 – 2023 TOP PERFORMING PRIVATE SECTOR ORGANISATION IN PNG.

TISA is proud to announce that we have been recognised as the 2022 – 2023 Top Performing Private Sector Organisation in PNG by the PNG Human Resource Institute (PNGHRI).

The award is in recognition of our overall outstanding performance and was presented during PNGHRI's annual conference on Tuesday this week.

In receiving the award, Michael Koisen, our Group CEO said: "This prestigious award reflects our unwavering commitment to serve our people."

"TISA has always been about helping our people and for 50 years we have been doing that consistently – creating tailor-made financial solutions to suit our customers; expanding our branch footprint to allow accessible and personalized financial services; improving our processes and systems to better serve our customers and; rewarding our customers through our 'highest in the market' bonus interests.

While we continuously work on improving our business, we have not lost sight of our Purpose which is to improve the quality of life for our people and the communities we operate in.

Our commitment to serve Papua New Guineans has stood strong, and this award is a testament to this."

"The growth and success of TISA is because of our valued members - for their continued trust and belief in us; our dedicated employees who continue to live our Purpose through their work and supportive stakeholders. Each has played an important role in our successful journey.

"I'm deeply honored to receive this award on behalf of TISA.

As we continue to grow as a business, we remain steadfast in our purpose and commitment to serve our people.

We are also committed to supporting the development and growth of the financial industry in PNG."

TISA was one of eight public and private organisations who were recognised by the PNGHRI for their outstanding performance for 2022 - 2023.

Group Financial Statements

For the Year Ended
31 December 2023

DIRECTORS' REPORT

The Directors of Teachers Savings and Loan Society Limited ("TISA" or "the Society") and its controlled entities - Tisa Community Finance Limited ("TCF"), Tisa Property Limited ("TPL"), Tisa Investments Limited ("TIL"), Capital Insurance Group Limited (CIG) (together "the Group") submit herewith the annual financial report of the Group for the financial year ended 31 December 2023. To comply with the provisions of the Companies Act 1997 (amended 2022) and Savings and Loan Societies Act 2015, the directors report as follows:

Principal Activities

The nature of operations and principal activities of the Group are maintaining membership of teachers, public service and private sector members and clients; processing member contributions and managing client deposits; processing member and client loans; managing the investments of the Group and providing life and general insurance in Papua New Guinea, Fiji, Solomon Islands, Vanuatu, and Tonga.

Registered office

The Society is a limited liability company incorporated and domiciled in Papua New Guinea. The address of its registered office 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 Society has recorded a total comprehensive income after taxation of K47,505,123 (2022: K60,715,406). For the year ended 31 December 2023, the Group's total comprehensive income after taxation is K50,434,525 (2022: K79,335,359).

Payments to TISA Members

Additional interest of K24,292,505 was declared and credited to the members' transaction accounts (S10 accounts) for the year ended 31 December 2023 (2022: K30,221,879 consists of a 7% additional interest and bonus interest of 2% for the 50th Anniversary).

During the year K8,209,820 (2022: K8,063,020) of interest on members savings was paid into members' general savings (S1 accounts) and other savings accounts (S2, S3, S4 and S5 accounts).

Directors

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

Mr. Gabriel Tai	Chairman
Mr. William Varmari	Non-Executive Director
Dr. Peter Mason	Non-Executive Director
Mr. Michael Koisen	Executive Director
Mr. Simon Woolcott	Non-Executive Director
Ms. Lucy Sabo-Kelis	Non-Executive Director
Mr. Stephen Woodhouse	Non-Executive Director, appointed 15 June 2023

Directors' Remuneration

Disclosure has been made at note 32.2.

Remuneration Above K100,000 per Annum

Disclosure has been made at note 32.1.

Group Secretary

The Group's Corporate Secretary is Philip Hehonah.

Directors' Eligibility

All directors were members of the Group for the purpose of eligibility of being a director of the Group. No director had any material interest in any contract or arrangement with the Group or any related entity during the year.

Changes in State of Affairs

The Society continues to operate under the new Savings and Loan Societies Act 2015 as a company registered under the Companies Act 1997 (amended 2022) and licensed under the Savings and Loan Societies Act 2015.

During the year, the Society through its subsidiary company, TCF, received "approval in principle" from Bank of Papua New Guinea to become a full-fledged commercial bank and start operating under a new name - TISA Bank.

Auditor

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

Donations

During the year, the Group made donations of K10,000 (2022: K38,272).

Signed at Port Moresby, NCD this 31 day of May 2024.

Signed in accordance with a resolution of the Directors.

Mr. Gabriel Tai, Director	Mr. Michael O Koisen, Director

DIRECTORS

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

Gabriel Tai
Chairman

Stephen Woodhouse
Non-Executive Director

William Varmari
Director NGI

Michael Koisen
Executive Director

Peter Mason
Non-Executive Director

Lucy Sabo-Kelis
Non-Executive Director

Simon Woolcott
Non-Executive Director

Con Nikolaou
Non-Executive Director,
BARCC Member

STATEMENT BY DIRECTORS

In the opinion of the Directors of Teachers Savings and Loan Society Limited and the Group:

1.1 The Statement of Profit or Loss and Other Comprehensive Income of the Society and the Group are drawn up so as to give a true and fair view of the results of the Society and the Group for the year ended 31 December 2023.

1.2 The Statement of Changes in Equity of the Society and the Group are drawn up so as to give a true and fair view of the changes in equity of the Society and the Group for the year ended 31 December 2023.

1.3 The Statement of Financial Position of the Society and the Group are drawn up so as to give a true and fair view of the state of affairs of the Society and the Group as at 31 December 2023.

1.4 The Statement of Cash Flows of the Society and the Group are drawn up so as to give a true and fair view of the cash flows of the Society and the Group for the year ended 31 December 2023.

1.5 At the date of this statement there are reasonable grounds to believe the Society and the Group will be able to pay its debts as and when they fall due; and

1.6 All related party transactions have been adequately disclosed in the attached financial statements.

2 The Group 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 (amended 2022) and have been drawn up in accordance with the requirements of the Savings and Loan Societies Act 2015.

Signed at Port Moresby, NCD this 31 day of May 2024.

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

Mr. Gabriel Tai. MAICD Director	Mr. Michael Koisen, OBE ML Director

Independent Auditor's Report

To the shareholders of Teachers Savings and Loan Society Limited ("Company") and its subsidiaries ("Group")

Report on the audits of the Financial Reports

Opinions

We have audited the Financial Report of the Company and the Group.

In our opinion, the accompanying Financial Report of the Company and the Group is in accordance with the *Savings and Loans Societies Act 2015* and the *Companies Act 1997*, including:

- giving a true and fair view of the Company and Group'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:

- statements of financial position as at 31 December 2023;
- statements of profit or loss and other comprehensive income, statements of changes in equity, and statements of cash flows for the year then ended; and
- notes including a summary of significant accounting policies.

The Group consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

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

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

Other Information

Other Information is financial and non-financial information in Teachers Savings and Loan Society Limited's and its subsidiaries' 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 opinions on the Financial Report do not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audits 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 Reports

The Directors are responsible for:

- preparing the Financial Report that give 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 Financial Reports that give a true and fair view and are free from material misstatement, whether due to fraud or error; and
- assessing the Company and Group'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 Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Reports

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *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 Reports.

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.

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

- Obtain an understanding of internal control relevant to the audits 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 and Group'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 and Group'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 or the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on other legal and regulatory requirements

The *Companies Act 1997* requires that in carrying out our audits we consider and report on the following matters. We confirm in relation to our audits of the Financial Reports 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 Group as far as appears from an examination of those records.

KPMG
Chartered Accountants

Pieter Steyn
Partner
Registered under the Accountants Act 1996

Port Moresby
31 May 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2023

	Note	Group 2023	Group 2022 Restated	Society 2023	Society 2022
		K	K	K	K
Interest and similar income	8.1	100,044,391	88,107,973	78,194,336	68,541,651
Interest expense	8.2	(13,548,552)	(11,687,886)	(8,659,701)	(8,528,297)
Net interest income		**86,495,839**	**76,420,087**	**69,534,635**	**60,013,354**
Insurance revenue	7.a	161,349,255	86,319,525	-	-
Insurance service expenses	7.a	(100,884,048)	(48,011,513)	-	-
Insurance service result from issued insurance contracts		**60,465,207**	**38,308,012**	**-**	**-**
Insurance service result from reinsurance contract held	7.a	**(20,867,388)**	**(14,450,574)**	**-**	**-**
Rental and other related income	16	8,502,736	5,533,592	-	-
Dividend income		18,920,645	36,384,821	15,724,542	35,739,828
Change in fair value of financial assets	11	11,027,540	10,393,689	10,312,085	10,715,073
Change in fair value of investment properties	16	(3,564,761)	-	-	-
Share of income (net of tax) of equity accounted investee	15.c	-	1,196,121	-	-
Gain on bargain purchase price	36	-	216,374	-	-
Re-measurement to fair value of pre-existing equity interest	15.c	-	6,214,809	-	-
Other income	8.3	10,703,853	9,332,610	10,423,651	9,601,739
Total other income		**45,590,013**	**69,272,016**	**36,460,278**	**56,056,640**
Total income		**171,683,671**	**169,549,541**	**105,994,913**	**116,069,994**
Impairment losses on loans	9	(21,627,074)	(6,434,880)	(8,912,004)	(2,112,708)
Operating expenses	10	(97,077,598)	(81,689,745)	(49,577,786)	(53,241,880)
Total expenses		**(118,704,672)**	**(88,124,625)**	**(58,489,790)**	**(55,354,588)**
Profit from operation		**52,978,999**	**81,424,917**	**47,505,123**	**60,715,406**
Income tax expense	24.1	(2,371,412)	(4,919,975)	-	-
Profit for the year after taxation		**50,607,587**	**76,504,942**	**47,505,123**	**60,715,406**
Other comprehensive income					
Foreign currency translation reserve		-	2,830,417	-	-
Asset revaluations gains/(losses)	17	(173,062)	-	-	-
Total profit and other comprehensive income for the year after taxation		**50,434,525**	**79,335,359**	**47,505,123**	**60,715,406**
Attributable to members of TISA		45,959,896	76,492,923	47,505,123	60,715,406
Attributable to non-controlling interests	15.c	4,474,629	2,842,436	-	-
		50,434,525	**79,335,359**	**47,505,123**	**60,715,406**

The notes on pages 37 to 98 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

		Group		Society	
		2023	2022 Restated	2023	2022
		K	K	K	K
Assets					
Cash and cash equivalents	12	189,340,960	184,522,150	70,279,508	63,722,119
Interest bearing deposits	12	19,899,565	19,007,082	-	-
Net loans to members and customers	13	359,494,985	325,939,259	316,322,556	273,440,175
Insurance contract assets	7.a	40,605,801	36,817,855	-	-
Rental and other receivables	14	24,353,332	28,028,364	188,853,677	159,659,544
Reinsurance contract assets	7.a	4,927,847	6,218,154	-	-
Other Financial assets	15	241,298,221	253,350,290	163,060,878	202,537,611
Investment in subsidiaries	15.c	-	-	242,890,980	242,890,980
Investment properties	16	88,586,000	88,844,604	-	-
Property and equipment	17	43,475,193	48,791,150	17,742,089	23,821,594
Capital work in progress	18	159,348,730	140,347,319	12,224,297	12,343,370
Intangibles	19	1,577,237	2,804,320	2,556,822	3,175,643
Net deferred tax assets	24.3	6,400,706	1,748,102	-	-
Current tax assets	24.2	2,746,070	4,980,685	-	-
Total assets		**1,182,054,647**	**1,141,399,334**	**1,013,930,807**	**981,591,036**
Liabilities					
Savings and deposits	20	473,433,961	461,067,598	405,599,194	397,434,674
Insurance contract liabilities	7.a	78,095,985	88,347,764	-	-
Creditors and accruals	21	17,513,280	14,373,237	87,172,523	79,443,567
Lease liabilities	22	6,360,935	10,862,317	4,483,645	8,384,077
Employee provisions	23	7,167,414	8,173,343	4,965,147	6,806,448
Reinsurance contract liabilities	7.a	31,063,880	19,721,054	-	-
Total liabilities		**613,635,455**	**602,545,313**	**502,220,509**	**492,068,766**
Net assets		**568,419,192**	**538,854,020**	**511,710,298**	**489,522,269**
Equity					
Members capital	25	66,217	62,023	66,217	62,023
Asset revaluation reserve	26	5,100,974	5,603,567	4,578,980	5,603,567
General reserve	27	33,534,306	33,534,306	33,534,306	33,534,306
Currency translation reserve		(38,678)	(38,678)	-	-
Additional interest reserve	28	89,579,485	83,042,612	89,579,485	83,042,612
Retained earnings		408,148,156	389,096,086	383,951,312	367,279,761
Equity attributable to TISA members		536,390,460	511,299,916	511,710,298	489,522,269
Non-controlling interest	15.c	32,028,732	27,554,104	-	-
Total equity		**568,419,192**	**538,854,020**	**511,710,298**	**489,522,269**

The notes on pages 37 to 98 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
as at 31 December 2023

	Notes	Share Capital K	Asset Revaluation Reserve K	General Reserve Fund K	Currency Translation Reserve K	Group Additional Interest Reserve K	Retained Earnings K	Non-controlling Interest K	Total K
At 1 January 2022		**61,939**	**5,603,567**	**33,534,306**	**-**	**73,153,385**	**352,714,352**	**-**	**465,067,550**
Share capital transferred from retained earnings	25	84	-	-	-	-	(84)	-	-
Non-controlling interest recognised on acquisition	15.c	-	-	-	-	-	-	24,711,668	24,711,668
Total profit and other comprehensive income for the year after taxation		-	-	-	(38,678)	-	76,492,923	2,842,436	79,296,681
Transfer to members from additional interest reserve fund	28	-	-	-	-	(30,221,879)	-	-	(30,221,879)
Transfer to additional interest reserve fund from retained earnings	28	-	-	-	-	40,111,106	(40,111,106)	-	-
At 31 December 2022		**62,023**	**5,603,567**	**33,534,306**	**(38,678)**	**83,042,612**	**389,096,086**	**27,554,104**	**538,854,020**
Balance at 1 January 2023		**62,023**	**5,603,567**	**33,534,306**	**(38,678)**	**83,042,612**	**389,096,086**	**27,554,104**	**538,854,020**
Share capital as transferred out from retained Earnings	25	4,194	-	-	-	-	(4,194)	-	-
Adjustment on initial application of IFRS 17		-	-	-	-	-	(2,611,126)	-	(2,611,126)
Total profit and other comprehensive income for the year after taxation		-	-	-	-	-	45,959,896	4,474,629	50,434,525
Transfer to members from additional interest reserve fund	28	-	-	-	-	(24,292,505)	-	-	(24,292,505)
Revaluation loss	17	-	(502,593)	-	-	-	-	-	(502,593)
Transfer to additional interest reserve fund from retained earnings	28	-	-	-	-	30,829,379	(24,292,505)	-	6,536,873
At 31 December 2023		**66,217**	**5,100,974**	**33,534,306**	**(38,678)**	**89,579,485**	**408,148,156**	**32,028,732**	**568,419,192**

The notes on pages 37 to 98 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
as at 31 December 2023

	Notes	Share Capital K	Asset Revaluation Reserve K	Society General Reserve Fund K	Currency Translation Reserve K	Additional Interest Reserve K	Retained Earnings K	Total K
At 1 January 2022		**61,939**	**5,603,567**	**33,534,306**	**-**	**73,153,385**	**346,675,545**	**459,028,742**
Share capital transferred from retained earnings	25	84	-	-		-	(84)	-
Total profit and other comprehensive income for the year after taxation		-	-	-	-	-	60,715,406	60,715,406
Transfer to members from additional interest reserve fund	28	-	-	-	-	(30,221,879)	-	(30,221,879)
Transfer to additional interest reserve fund from retained earnings	28	-	-	-	-	40,111,106	(40,111,106)	-
At 31 December 2022		**62,023**	**5,603,567**	**33,534,306**	**-**	**83,042,613**	**367,279,761**	**489,522,269**
Balance at 1 January 2023		**62,023**	**5,603,567**	**33,534,306**	**-**	**83,042,613**	**367,279,761**	**489,522,269**
Share capital transferred from retained earnings		4,194	-	-	-	-	(4,194)	-
Total profit and other comprehensive income for the year after taxation		-	-	-	-	-	47,505,123	47,505,123
Adjustment to opening balances		-	-	-	-	(2)	-	(2)
Transfer to members from additional interest reserve fund	28	-	-	-	-	(24,292,505)	-	(24,292,505)
Revaluation loss	17	-	(1,024,587)	-	-	-	-	(1,024,587)
Transfer to additional interest reserve fund from retained earnings	28	-	-	-	-	30,829,379	(30,829,379)	-
At 31 December 2023		**66,217**	**4,578,980**	**33,534,306**	**-**	**89,579,485**	**383,951,312**	**511,710,298**

The notes on pages 37 to 98 are an integral part of these financial statements.

STATEMENT OF CASH FLOW
As at 31 December 2023

	Note	Group		Society	
		2023	2022 Restated	2023	2022
		K	K	K	K
Cash flows from operating activities					
Interest received on loans		99,453,848	84,706,176	75,132,913	65,999,755
Premiums received		157,561,309	81,534,544	-	-
Claims paid		(113,746,953)	(54,136,614)	-	-
Outward reinsurance paid		(8,234,255)	(14,271,758)	-	-
Net rental and other income		8,502,736	14,866,202	(18,770,482)	9,601,739
Interest on IBDs and debt securities		4,265,574	3,401,797	3,061,422	2,541,896
Dividends received		19,835,121	36,384,821	15,724,542	35,739,828
Net loans to members		(55,182,800)	(11,164,134)	(51,794,385)	(9,034,788)
Net savings deposited/(withdrawn)		(5,389,269)	24,978,678	(16,127,985)	(17,028,126)
Interest paid		(13,548,552)	(11,687,886)	(8,659,701)	(8,528,297)
Payments to employees and suppliers		(92,569,262)	(79,107,473)	(38,125,004)	(145,918,308)
Income taxes paid		(6,196,038)	(13,432,141)	-	-
Net cash flow from/ (used in) operating activities		**(5,248,541)**	**62,072,211**	**(39,558,680)**	**(66,626,300)**
Cash flows from investing activities					
Change in interest bearing deposits		(892,483)	5,550,150	-	16,375,832
Net sale/(Purchase) of Government Securities		21,387,359	93,830,372	2,008,500	107,904,004
Net cash on other financial assets		39,900,989	70,257,043	59,181,947	-
Payments for investment property, property, and equipment		(45,763,313)	(72,209,072)	(11,110,127)	(11,391,542)
Net cash flow from/(used) investing activities		**14,632,552**	**97,428,493**	**50,080,320**	**112,888,294**
Cash flows from financing activities					
Lease payments		(4,565,201)	(4,609,318)	(3,964,251)	(2,751,825)
Net cash flow from / (used in) financing activities		**(4,565,201)**	**(4,609,318)**	**(3,964,251)**	**(2,751,825)**
Net increase /(decrease) in cash and cash equivalents		**4,818,810**	**154,891,386**	**6,527,389**	**43,510,169**
Cash and cash equivalents at the beginning of the year		184,522,150	29,630,765	63,722,119	20,211,951
Cash and cash equivalents at the end of the year	**12**	**189,340,960**	**184,522,150**	**70,279,508**	**63,722,119**

The notes on pages 37 to 98 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

1. Reporting

Teachers Savings and Loan Society ("TISA" or "the Society") is domiciled in Papua New Guinea. The Society's registered office is TISA Haus, Waigani, NCD, Papua New Guinea. The Group financial statements as at and for the year ended 31 December 2023 comprise the Society and its controlled entities - Tisa Community Finance Limited ("TCF"), Tisa Property Limited ("TPL"), Tisa Investments Limited ("TIL") and Capital Insurance Group Limited ("CIG") (together "the Group"). The Group is primarily involved in the provision of financial services which include receiving savings, deposits and issuing loans, managing various investment assets, and involved in life, medical and general insurance in Papua New Guinea and other countries in the Pacific region to earn returns on behalf of its members.

The Group financial statements have been authorised for issue by the Board of Directors on 31 May 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(amended 2022)* and *Savings and Loan Societies Act 2015*.

Basis of measurement

Fair value accounting is used for investments at fair value through profit and loss, and land and buildings classified as investment property or property and equipment. 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.

Going concern basis

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

3. Functional currency

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

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Group 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 13 Estimated expected credit loss allowance for loans to members and customers
Note 16 Investment properties
Note 17 Property plant and equipment
Note 29.8 Insurance and financial risk

5. New standards, interpretations, and amendments issued

As of the date of the authorisation of these financial statements, the Group 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 Group in future periods.

In the current year, the Group 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:

- IFRS 17 Insurance Contracts
- 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)

Except for the impact of adoption of IFRS 17 as disclosed further below, 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.

IFRS 17 Insurance Contracts

Recognition, measurement and presentation of insurance contracts and reinsurance contracts held.

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts held. Under IFRS 17, insurance revenue in each reporting period represents the change in the liability for remaining coverage (LfRC) that relates to services for which the Group expects to receive consideration.

The Group applies the Premium Allocation Approach (PAA) to simplify the measurement of insurance contracts issued and reinsurance contracts held. When measuring LfRC, the PAA is similar to the Group's previous accounting treatment. However, when measuring the Liability for Incurred Claims (LIC), the Group now discounts the future cash flows and includes an explicit risk adjustment for non-financial risk.

Previously, all acquisition costs were recognized and presented separately as 'deferred acquisition cost' assets until those costs were included in the statement of comprehensive income. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognized as separate assets and are tested for recoverability, however this is not considered applicable to the Group base on the nature of the Group's insurance acquisition cash flows being incurred on the same date the related insurance contracts are recognized.

The following areas have been impacted as compared to the previous reporting Standard, specifically IFRS 4: Insurance Contracts

5. New standards, interpretations and amendments issued (continued)
IFRS 17 Insurance Contracts (continued)

- The LfRC reflects premiums received and premium receivable where earned less deferred insurance acquisition cash flows and less amounts recognized in revenue for insurance services provided.
- Measurement of the LfRC involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).
- Measurement of the LIC (previously claims outstanding and incurred-but-not reported ('IBNR') claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The LIC includes the Group's obligation to pay other incurred insurance expenses.
- Measurement of the Asset for Remaining Coverage ('AfRC') (reflecting deferred reinsurance expenses paid for reinsurance contracts held) is adjusted to include a loss-recovery component to reflect the expected reinsurance recoveries applicable to onerous contract losses on underlying insurance contracts issued.
- The Group allocates the acquisition cash flows to groups of insurance contracts issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group of insurance contracts.

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied from 22 June 2022, the date of obtaining control over CIG on 20 June 2022. The Group:

- identified, recognized, and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied.
- identified, recognized and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied; and
- derecognized previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, intangible assets related to insurance contracts (previously referred to as ‘value of business acquired’), insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they are included in the measurement of the insurance contracts.

The Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line items.

5. New standards, interpretations and amendments issued (continued)
IFRS 17 Insurance Contracts (continued)

Transition

	IFRS 4 As reported 31-Dec-22	IFRS 17 Restated 31-Dec-22	Movement
Assets			
Cash and cash equivalents	184,522,150	184,522,150	-
Interest bearing deposits	19,007,082	19,007,082	-
Net loans to members and customers	325,939,259	325,939,259	-
Net premium receivables		36,817,855	36,817,855
Insurance Contract Assets	36,817,855	-	(36,817,855)
Rental and other receivables	28,028,364	37,909,569	9,881,205
Deferred acquisition costs	-	24,119,291	24,119,291
Reinsurance contract assets	6,218,154	-	(6,218,154)
Financial Assets	253,350,290	253,350,290	-
Investment in subsidiaries	-	-	-
Investment properties	88,844,604	88,844,604	-
Property and equipment	48,791,150	48,791,150	-
Capital work in progress	140,347,319	140,347,319	-
Intangible assets	2,804,320	2,804,320	-
Deferred tax assets	1,748,102	1,748,102	-
Current tax assets	4,980,684	4,980,684	-
Total assets	1,141,399,333	1,169,181,675	27,782,342
Liabilities			
Savings and deposits	461,067,598	461,067,598	-
Insurance contract liabilities	88,347,764	-	(88,347,764)
Insurance provisions		109,041,027	109,041,027
Creditors and accruals	14,373,237	41,183,370	26,810,133
Lease liabilities	10,862,317	10,862,317	-
Employee provisions	8,173,343	8,173,343	-
Reinsurance contract liabilities	19,721,054	-	(19,721,054)
Deferred tax liabilities	-	-	-
Current tax liabilities	-	-	-
Total liabilities	602,545,313	630,327,655	27,782,342
Net assets	538,854,020	538,854,020	-
Equity			
Members capital	62,023	62,023	-
Asset revaluation reserve	5,603,567	5,603,567	-
General reserve	33,534,306	33,534,306	-
Currency translation reserve	(38,678)	(38,678)	-
Additional interest reserve	83,042,612	83,042,612	-
Retained earnings	389,096,086	389,096,086	-
Equity attributable to TISA members	511,299,916	511,299,916	-
Minority interest	27,554,104	27,554,104	-
Total equity	538,854,020	538,854,020	-

5. New standards, interpretations and amendments issued (continued)
IFRS 17 Insurance Contracts (continued)

The Directors have determined that the impact of adoption of IFRS 17, Insurance Contracts does not have any impact to the opening retained earnings. However, there are certain accounts reclassified to be compliant with IFRS 17 in the year 2023.

6. Material accounting policies

Accounting policies and disclosures
Except for the changes described in note 5 above, the Group has consistently applied the accounting policies to all periods presented in the financial statements.

(a) Basis of consolidation
i. Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group re-assesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee. The financial statements of subsidiaries are included in the financial statements from the date on which control commences up until the date on which control ceases.

Changes in the holding company's ownership interest in a subsidiary company that do not result in the holding company losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners) and accordingly reflected directly in the equity of the group.

The financial statements for the subsidiaries CIG, TCF, TPL and TIL have been consolidated based on 31 December 2023 results.

Transactions eliminated on consolidation
Inter-group transactions, balances and any unrealised income and expenses are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Loss of control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related minority interest and other components of equity. Any resulting gain or loss is recognised in the statement of profit and loss and comprehensive income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(b) 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 Group recognises revenue when it transfers control over a product or service to a customer.

Revenue recognised as follows:

i. Interest income
Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

6. Material accounting policies (continued)

(b) Revenue recognition (continued)

i. Interest income (continued)

When calculating the effective interest rate, the Group 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. The amortised cost includes capitalised interest.

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.

iii. Underwriting income and provisions

a. Earned and unearned premiums

The figure for earned premiums is arrived at by computing the actual earned portion for each policy written in the year using the 365 days method. Premium is treated as earned from the date of attachment of risk. The provision for unearned premiums represents the proportion of premiums written in the current year relating to insurance cover provided in a subsequent year.

b. Outstanding claims

The provision for outstanding claims is established by reviewing known claims on a case-by-case basis, taking account of current compensation levels and settlement costs. The provision covers the estimated cost of settling all such claims outstanding at 31 December 2023. Provision is also made for the estimated number of claims incurred but not reported at reporting date. The estimate is made based upon an analysis of past claims experience, modified where appropriate for anticipated changes in claims settlement patterns and actuarial review.

iv. Premium revenue

Premium revenue comprise amounts charged to policy owners and includes applicable levies and charges, but excludes tax collected on behalf of third parties such as goods and services tax. Premiums are recognised as revenue in accordance with the pattern of underlying risk exposure from the date of attachment over the period of the insurance policy, which is usually one year. The provision for unearned premiums represents the proportion of premiums written in the current year relating to insurance cover provided in subsequent years.

v. Change in fair value of financial assets

Changes in the fair value of financial assets comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes.

vi. Dividend income

Dividend income is recognised when the right to receive income is established, usually this is the ex-dividend date for equity securities.

6. Material accounting policies (continued)

(c) Foreign currency translation

i. Transaction and balances

Foreign currency transactions are translated into the functional currency (note 3) using the exchange rates at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at a fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities that are carried forward at a fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

ii. Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless there is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, or as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Insurance contracts and reinsurance contracts held

i. Classification

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts held. Insurance and reinsurance contracts held also expose the Group to financial risk.

6. Material accounting policies (continued)
(d) Insurance contracts and reinsurance contracts held (continued)

i. Classification (continued)
Insurance contracts may be issued, and reinsurance contracts may be initiated by the Group, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts held' include contracts issued, initiated, or acquired by the Group, unless otherwise stated.

The Group issues general insurance products to individuals and businesses. The Group's products offered include property and engineering, marine, motor, and liability products including workers compensation and personal accident. These products offer protection of policyholder's assets and indemnification of other parties that may have suffered damage or loss due to the actions of the policyholder.

The Group does not issue any contracts with direct participating features.

ii. Separating components from insurance contracts issued and reinsurance contracts held
The Group assesses its insurance contracts issued and reinsurance contracts held to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the host insurance contract.

Once the consideration of distinct components has been determined, the Group assesses whether the contract should be separated into several insurance components that, in substance, should be treated as separate contracts. To determine whether a single legal contract does not reflect the substance of the transaction and its insurance components recognized and measured separately instead, the Group considers whether there is an interdependency between the different risks covered, whether components can lapse independently of each other and whether the components can be priced and sold separately.

Some reinsurance contracts held contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive, either in the form of profit commission, or as claims recoveries, or another contractual payment, irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contacts held and are, therefore, non-distinct investment components which are not accounted for separately. Receipts and payments of these investment components are recognized on the balance sheet.

iii. Aggregation and recognition of insurance contracts issued, and reinsurance contracts held

Insurance Contracts
Insurance contracts are aggregated into groups of insurance contracts for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks, and which are managed together, and dividing each portfolio into annual cohorts in line with financial reporting periods. Each annual cohort is divided into two groups based on the profitability of contracts:

- onerous contracts; and
- any remaining contracts

The identification of the above two groups is based on the Group's assessment that there are no contracts in issue which the Group does not consider having a significant possibility of not becoming onerous in the future. The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Group considers facts and circumstances to identify whether a group of contracts are onerous based on management reporting and actuarial frameworks, specifically the following:

6. Material accounting policies (continued)

(d) Insurance contracts and reinsurance contracts held (continued)

iii. Aggregation and recognition of insurance contracts issued, and reinsurance contracts held (continued)

Insurance Contracts (continued)

- Management reporting which indicates loss ratios and combined ratios.
- Annual business planning and forecasting processes to determine any loss-making contracts.
- Actuarial performance monitoring and measurement tools, including actuarial reserving outcomes and valuation outputs

Identification of onerous contracts is based primarily on available management information and reserving information which is prepared on an accident year basis.

An insurance contract issued by the Group is recognized from the earliest of:

- the date the Group is exposed to risk which is ordinarily the beginning of the coverage period (i.e., the period during which the Group provides services in respect of any premiums within the contract boundary of the contract);
- the date the first premium payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate the contract is onerous.

Identification of onerous contracts is based primarily on available management information and reserving information which is prepared on an accident year basis.

An insurance contract issued by the Group is recognized from the earliest of:

- the date the Group is exposed to risk which is ordinarily the beginning of the coverage period (i.e., the period during which the Group provides services in respect of any premiums within the contract boundary of the contract);
- the date the first premium payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate the contract is onerous.

Reinsurance contracts held

The Group divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. A group of reinsurance contracts is recognized on the following date:

- Reinsurance contracts held initiated by the Group that provide proportionate coverage: the date on which any underlying insurance contract is initially recognized. This applies to the group's quota share reinsurance contracts held.
- Other reinsurance contracts held initiated by the Group: the beginning of the coverage period of the group of reinsurance contracts. This applies to the Group's excess of loss reinsurance contracts held.

Where the Group recognizes an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts held is recognized on that earlier date.

iv. Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting, and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

6. Material accounting policies (continued)
(d) Insurance contracts and reinsurance contracts held (continued)

v. Contract boundaries
The measurement of a group of contracts includes all the future cash flows within the boundary of each contract in the group, determined as:

Insurance contracts
Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage).

A substantive obligation to provide services ends when:
- the Group has the practical ability to reassess the risks of the particular policy holder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not consider risks that relate to periods after the reassessment date.

When assessing the existence of a ‘practical ability to reassess the risks’ and ‘set a price or level of benefits that fully reflects those risks’, consideration is required of all the risks that would be considered when underwriting equivalent contracts on the renewal date for the remaining coverage. The Group considers key features, including cancellation terms, contract wording, including the ability to reprice risks, which may affect the contract boundary assessment.

Certain terms allow the Group the practical ability to cancel or reprice insurance contracts issued and allow the policyholder to cancel the contract. The contract terms are considered by the Group in determining the contract boundary.

Reinsurance contracts held
Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the Group is no longer compelled to pay amounts to the reinsurer and if the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group’s substantive rights and obligations and, therefore, may change over time. The Group reassesses the contract boundary for all changes which directly impact the Group’s substantive rights and obligations.

vi. Measurement
The Group uses the PAA to simplify the measurement of groups of contracts when the following criteria are met at inception:
- Insurance Contracts: The coverage period of each contract in the group is one year or less, or, where the coverage period of a group of contracts is longer than one year, the Group reasonably expects that the measurement of the LfRC for the group containing those contracts under the PAA does not differ materially from the measurement that would be recognized by applying the General Measurement Model (GMM). In assessing materiality, the Group has also considered qualitative factors as part of the measurement model determination.

6. Material accounting policies (continued)
(d) Insurance contracts and reinsurance contracts held (continued)
vi. Measurement (continued)

- Risk-attaching reinsurance contracts held: The Group reasonably expects that the resulting measurement of the asset for remaining coverage (AfRC) under the PAA would not differ materially from the result of applying the GMM in terms of IFRS 17. When comparing the different possible measurements, the Group considers the impact of the different release patterns of the AfRC to profit or loss and the impact of the time value of money. If significant variability is expected in the fulfilment cash flows during the period before a claim is incurred, then this criterion is not met.

Insurance contracts
On initial recognition of each group of contracts, the carrying amount of the LfRC is measured as the premiums received on initial recognition less any insurance acquisition cash flows allocated to the group at that date.

Subsequently, the carrying amount of the LfRC is increased by any premiums received and the amortization of insurance acquisition cash flows recognized as expenses and decreased by the amount recognized as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition.

On initial recognition of each group of contracts, the carrying amount of the LfRC is measured as the premiums received on initial recognition less any insurance acquisition cash flows allocated to the group at that date.

Subsequently, the carrying amount of the LfRC is increased by any premiums received and the amortization of insurance acquisition cash flows recognized as expenses and decreased by the amount recognized as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition.

On initial recognition of each group of contracts, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Group will not adjust the LfRC to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognizes a loss within insurance services expenses in the statement of comprehensive income and increases the LfRC to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the LfRC coverage. Measurement of the loss component arising from the identification of onerous contracts is based on the underwriting year calculation for the annual cohort which is indicated to be loss making.

The Group recognizes the LIC of a group of insurance contracts at the discounted amount of the fulfilment cash flows relating to claims incurred but not yet settled and other expenses. The change in the LIC as a result of changes in discount rates is recognized within insurance finance income and expenses in the statement of comprehensive income.

The Group will recognize the loss arising from onerous contracts as part of the insurance service expense in the Statement of Comprehensive Income. If there are no changes in expectations in subsequent periods, the release of the loss component is recognized as an adjustment to insurance service expenses in the statement of comprehensive income in line with the pattern of earned premium. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

Reinsurance Contracts Held
The Group applies the same accounting policies to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts. On initial recognition, the measurement of the reinsurance contract held includes all expected cash flows within the boundary of the reinsurance contract, including those cash flows related to future underlying insurance contracts that have

6. Material accounting policies (continued)
(d) Insurance contracts and reinsurance contracts held (continued)
vi. Measurement (continued)

not yet been issued by the Group, but are expected to be issued during the coverage period of the reinsurance contract held. The estimates of the present value of future cash flows of the reinsurance contracts held will reflect the risk of non-performance by the reinsurer and the risk adjustment for reinsurance contracts held is measured and recognized separately from insurance contracts issued.

Where the Group recognizes a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

Recoverability measurement
At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Group:

a. recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and

b. if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a).

vii. Derecognition and contract modifications
The Group derecognizes insurance contracts when:
- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled, or expired); or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Group derecognizes the initial contract and recognizes the modified contract as a new contract.

When a modification is not treated as a derecognition, the Group recognizes amounts paid or received for the modification with the contract as an adjustment to the relevant LfRC.

viii. Presentation
The Group has presented separately, in the Statement of Financial Position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities. Any assets for insurance acquisition cash flows recognized before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to. The Group disaggregates the total amount recognized in the statement of comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result. The Group separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

6. Material accounting policies (continued)
(d) Insurance contracts and reinsurance contracts held (continued)
viii. Presentation (continued)

Insurance revenue
The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services based on the passage of time. Where the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation of insurance revenue is made based on the expected timing of incurred insurance service expenses. The Group changes the basis of allocation between the two methods above as necessary if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all insurance revenue has been recognized based on the passage of time.

Insurance service expenses
Insurance service expenses arising from insurance contracts are recognized in the statement of comprehensive income generally as they are incurred and comprise the following items:

- Incurred claims and other directly attributable insurance service expenses.
- Insurance acquisition cash flows which the Group amortizes on a straight-line basis over the coverage period of the group of contracts.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the LIC that do not arise from the effects of the time value of money, financial risk, and changes therein.

ix. Income or expenses from reinsurance contracts held

The Group presents income or expenses from a group of reinsurance contracts held and reinsurance finance income or expenses in the statement of comprehensive income for the period separately. Income or expenses from reinsurance contracts held are made up of amounts recovered from reinsurers and reinsurance expenses.

Reinsurance expenses reflect the allocation of reinsurance premiums paid or payable for receiving services in the period.

The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held. The Group will exclude non-distinct investment component amounts from amounts recovered from reinsurers and reinsurance expenses.

Insurance finance income and expenses
Insurance finance income and expenses comprise the change in the carrying amount of groups of insurance contracts issued and reinsurance contracts held arising from:

- the effect of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk.

For all insurance contracts issued and reinsurance contracts held, the Group presents insurance finance income or expenses in the statement of comprehensive income.

(e) Leases

At the inception of a contract, the Group 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

6. Material accounting policies (continued)
(e) Leases (continued)

Group acting as a lessee
At commencement or on modification of a contract that contains a lease component, the Group 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 Group has elected not to separate non - lease components and accounts for the lease and non-lease components as a single lease component.

The Group 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 initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

- Fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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 Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the profit or loss if the carrying amount of the right-of-use of asset has been reduced to zero.

Group acting as a lessee (continued)
The Group presents right-of-use assets in Property and Equipment and lease liabilities as a separate liability account on the Balance Sheet.

Group acting as a lessor
At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or operating lease.

To classify each lease, the Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

6. Material accounting policies (continued)

(f) Tax exemption
Under the *Income Tax Act 1959 as amended*, the Society is exempt from Income Tax (Section 40A) whilst the subsidiaries TCF, TPL, TIL and CIG are subject to income tax.

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.

(g) Financial instruments

i. Recognition and initial measurement
The Group 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 Group 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 Group 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.

6. Material accounting policies (continued)
(g) Financial instruments (continued)

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 Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

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

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

ii. Classification and subsequent measurement

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

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

iii. De-recognition
A financial asset is derecognised when the Group 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 Group 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.

6. Material accounting policies (continued)
(g) Financial instruments (continued)

vi. Fair value measurement
The Group 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 Group recognises loss allowances for expected credit losses ('ECL') on financial assets measured at amortised cost and loan commitments issued. No impairment loss is recognised on equity investments. The

Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group 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 Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group 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.

vii. Identification and measurement of impairment (continued)
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 Group is exposed to credit risk.

Expected credit loss impairment model
The Group'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

- over the following twelve months or
- over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

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

Stage 1 - a 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk ('SICR') since origination and are not credit impaired. The ECL will be computed using a 12-month 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

6. Material accounting policies (continued)
(g) Financial instruments (continued)

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:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.

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 Group would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

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

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

- fiscal deficit and its ability to pay its employees
- investment in public sector especially education
- salary budgets which include salary adjustments
- government sector employment growth
- inflation
- teacher annual auto-suspension exercise

6. Material accounting policies (continued)
(g) Financial instruments (continued)

Multiple forward - looking scenarios
The Group determines its allowance for credit losses using three probability-weighted forward-looking scenarios. The Group 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**
Society	70%	10%	20%
Subsidiary	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 Group 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 Group 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 Group 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 Group's procedures for recovery of amounts due.

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

(h) 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.

Cash and cash equivalents are carried at amortised cost in the Statements of Financial Position.

(i) 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 Group 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.

(j) Investment securities

i. *Classification*
The Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss);
- those to measure at amortised cost.

6. Material accounting policies (continued)

(j) Investment securities (continued)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flow.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

ii. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the assets. Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risk and rewards of ownership.

iii. Measurement

On initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as a separate line item in the statement of profit or loss.

- **FVPL:** Assets that do not meet the criteria for amortised costs or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent

reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

6. Material accounting policies (continued)

(j) Investment securities (continued)

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the state of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

iv. Impairment

The Group assesses on a forward-looking basis the expected losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(k) 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 every three years based on the Group's policy. After recognition as an asset, an item of land and building for which fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses.

Revaluation changes shall be accounted for as follows:

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

ii. Subsequent costs:

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Group. 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 Group will obtain ownership by the end of the lease term. Land is not depreciated.

Classes of assets	Useful lives
Motor vehicles	5 years
Office equipment	5-10 years
Furniture and fittings	5-10 years
Property (excluding land)	20-33 years
Right of Use of Asset	1-5 years
Other equipment	5-10 years

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

6. Material accounting policies (continued)

(l) Investment properties
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.

(m) Software
Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Group 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.

(n) Software-as-a-Service (Saas) Arrangements
SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date.

The following outlines the accounting treatment of costs incurred in relation to Saas arrangements adopted by the Group.

Recognise as an operating expense over the term of service contract
- Fee for use of application software
- Customisation costs

Recognise as an operating expense as the service is received
- Configuration costs
- Data conversion and migration costs
- Testing costs
- Training costs

(o) Intangible assets acquired separately
Intangible assets with infinite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in the estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

6. Material accounting policies (continued)

(p) Impairment of non-financial assets
At each reporting date, the Group 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.

(q) 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.

(r) Provisions
A provision is recognised if, as a result of a past event, the Group 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.

(s) 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 Group'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 Group can no longer withdraw the offer of those benefits and when the Group 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 Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(t) Reserves
The Group maintains the following equity positions:

- General Reserve Fund is a statutory reserve that was required under the now repealed Savings & Loan Societies (Amendment) Act 1995 which required the Society to maintain a fund equal to 10% of total liabilities as a buffer against any financial risks and exposures. The Society was required to transfer 20% of its net earnings to this reserve until it reaches 10% of liabilities. The new *Savings*

6. Material accounting policies (continued)
(t) Reserves (continued)

- *and Loan Societies Act 2015* however does not indicate a similar requirement therefore no transfer has been made since 2019.
- Asset Revaluation Reserve captures any appreciation in property and equipment accounted for under the revaluation model over the initial cost of acquiring the item.
- The Additional Interest Reserve is established by the Board to distribute additional interest to members of the Society. The amount of the distribution is contingent and dependent on the distributable profits earned by the Society; hence, it is recorded through equity. This reserve is replenished from the distributable profits earned by the Society.

7. Insurance contracts issued and reinsurance contracts held

The table below sets out the carrying amounts of groups of insurance and reinsurance contract assets and liabilities at the end of reporting date

	Group	
	2023	**2022 Restated**
	K	**K**
Insurance Contracts		
Insurance contracts assets	40,605,801	36,817,855
Insurance contract liabilities	(78,095,985)	(88,347,764)
Net Insurance contract (liabilities)	**(37,490,184)**	**(51,529,909)**
Reinsurance Contracts		
Reinsurance contracts assets	4,927,847	6,218,154
Reinsurance contract liabilities	(31,063,880)	(19,721,054)
Net Reinsurance contract (liabilities)	**(26,136,033)**	**(13,502,900)**

a) Movements in insurance and reinsurance contract held balances

The following reconciliations show how the carrying amounts of insurance and reinsurance contracts held measured under PAA changed during the year as a result of cash flows and amounts recognised in the statement of comprehensive income. The Group presents a roll-forward table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

7. Insurance contracts issued and reinsurance contracts held (continued)

a) Movements in insurance and reinsurance contract held balances (continued)

<u>Insurance Contracts: Analysis by liabilities for remaining coverage and liabilities for incurred claims 2023</u>

	Liability for remaining coverage			**Liability for incurred claims**		**Insurance contract liability (asset) total**
	Excluding loss component	Loss component	Total	Estimated PV of future cash flows (includes risk adjustment)	Total	
	K	K	K	K	K	**K**
Opening insurance contract assets	(86,757,088)	(7,974)	(86,765,062)	49,947,207	49,947,207	(36,817,855)
Opening insurance contract liabilities	107,585,769	-	107,585,769	(19,238,005)	(19,238,005)	88,347,764
Net insurance contract liabilities - 1 January	**20,828,681**	**(7,974)**	**20,820,707**	**30,709,202**	**30,709,202**	**51,529,909**
Changes in the statement of comprehensive income						
Insurance Revenue	(161,349,255)	-	(161,349,255)	-	-	(161,349,255)
Insurance service expenses:	-	-	-	157,561,309	- 157,561,309	157,561,309
Incurred claims and other expenses	-	-	-	-	-	-
Amortisation of insurance acquisition cash flows	-	-	-	-	-	-
Changes that relate to past service	-	-	-	-	-	-
Losses on onerous contracts and reversals of those losses	-	-	-	-	-	-
Insurance service result	**(161,349,255)**	-	**(161,349,255)**	**157,561,309**	**157,561,309**	**(3,787,946)**
Finance income/expenses from insurance contracts	-	-	-	-	-	-
Effect of movement in exchange rates	-	-	-	-	-	-
Amounts recognised in profit or loss & OCI	**(161,349,255))**	-	**(161,349,255)**	**157,561,309**	**157,561,309**	**(3,787,946)**
Premiums received (including premium refunds)	125,391,983	-	125,391,983	-	-	125,391,983
Insurance acquisition cash flows	(24,507,935)	-	(24,507,935)	-	-	(24,507,935)
Claims and other expenses paid	-	-	-	(111,135,827)	(111,135,827)	(111,135,827)
Total cash flows	**100,884,048**	**-**	**100,884,048**	**(111,135,827)**	**(111,135,827)**	**(10,251,779)**
Closing insurance contract assets	(248,106,343)	(7,974)	(248,114,317)	207,508,516	207,508,516	(40,605,801)
Closing insurance contract liabilities	208,469,817	-	208,469,817	(130,373,832)	(130,373,832)	78,095,985
Net insurance contract liabilities – 31 December	**(39,636,526)**	**(7,974)**	**(39,644,500)**	**77,134,684**	**77,134,684**	**37,490,184**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

7. Insurance contracts issued and reinsurance contracts held (continued)

a) Movements in insurance and reinsurance contract held balances (continued)

Insurance Contracts: Analysis by liabilities for remaining coverage and liabilities for incurred claims 2022 (restated)

	Liability for remaining coverage			Liability for incurred claims		**Insurance contract liability (asset) total**
	Excluding loss component	Loss component	Total	Estimated PV of future cash flows (excludes risk adjustment)	Total	
	K	K	K	K	K	**K**
Opening insurance contract assets	(6,285,589)	-	(6,285,589)	(4,522,296)	(4,522,296)	(10,807,885)
Opening insurance contract liabilities	38,349,267	-	38,349,267	34,898,609	34,898,609	73,247,876
Net insurance contract liabilities – 1 January	**32,063,678**	-	**32,063,678**	**30,376,313**	**30,376,313**	**62,439,991**
Changes in the statement of comprehensive income						
Insurance Revenue	(86,319,525)	-	(86,319,525)	-	-	(86,319,525)
Insurance service expenses:	-	-	-		-	-
Incurred claims and other expenses	5,848,026	(7,974)	5,840,052	54,469,503	54,469,503	60,309,555
Amortisation of insurance acquisition cash flows	-	-	-	-	-	-
Changes that relate to past service	-	-	-	-	-	-
Losses on onerous contracts and reversals of those losses	-	-	-	-	-	-
Insurance service result	**(80,471,499)**	**(7,974)**	**(80,479,473)**	**54,469,503**	**54,469,503**	**(26,009,970)**
Finance income/expenses from insurance contracts	-	-	-	-	-	-
Effect of movement in exchange rates	-	-	-	-	-	-
Amounts recognised in profit or loss & OCI	**(80,471,499)**	**(7,974)**	**(80,479,473)**	**54,469,503**	**54,469,503**	**(26,009,970)**
Premiums received (including premium refunds)	69,236,502	-	69,236,502	-	-	69,236,502
Insurance acquisition cash flows	-	-	-	-	-	-
Claims and other expenses paid	-	-	-	(54,136,614)	(54,136,614)	(54,136,614)
Total cash flows	**69,236,502**	-	**69,236,502**	**(54,136,614)**	**(54,136,614)**	**15,099,888**
Closing insurance contract assets	(86,757,088)	(7,974)	(86,765,062)	49,947,207	49,947,207	(36,817,855)
Closing insurance contract liabilities	107,585,769	-	107,585,769	(19,238,005)	(19,238,005)	88,347,764
Net insurance contract liabilities – 31 December	**20,828,681**	**(7,974)**	**20,820,707**	**30,709,202**	**30,709,202**	**51,529,909**

7. Insurance contracts issued and reinsurance contracts held (continued)

a) Movements in insurance and reinsurance contract held balances (continued)

Reinsurance Contracts: Analysis by liabilities for remaining coverage and liabilities for incurred claims 2023

	Asset for remaining coverage			**Amounts recoverable on incurred claims**		
	Excluding loss component K	Loss recovery component K	Total K	Estimated PV of future cash flows (includes risk adjustment) K	Total K	**Reinsurance contract assets/ (liabilities) Total K**
Net reinsurance contract (assets)/liabilities	**6,331,334**	**-**	**6,331,334**	**7,171,566**	**7,171,566**	**13,502,900**
Changes in the statement of comprehensive income						
Allocation of reinsurance premium paid	(38,312,608)	-	(38,312,608)	-	-	(38,312,608)
Amounts recoverable from reinsurers:	-	-	-	-	-	-
Recoveries of incurred claims and other insurance service expenses	-	-	-	17,445,220	17,445,220	17,445,220
Adjustments to assets for incurred claims- past services	-	-	-	-	-	-
Recoveries and reversals of recoveries of losses on onerous contracts	-	-	-	-	-	-
Adjustments to assets for incurred claims- future services	-	-	-	-	-	-
Insurance service result	**(38,312,608)**	**-**	**(38,312,608)**	**17,445,220**	**17,445,220**	**(20,867,388)**
Finance income/expenses from reinsurance contracts held	-	-	-	-	-	-
Effect of movement in exchange rates	-	-	-	-	-	-
Amounts recognised in profit or loss	**(38,312,608)**	**-**	**(38,312,608)**	**17,445,220**	**17,445,220**	**(20,867,388)**
Premiums paid	38,312,608	-	38,312,608	-	-	38,312,608
Amounts recovered	-	-	-	(4,812,087)	(4,812,087)	(4,812,087)
Total cash flows	**38,312,608**	**-**	**38,312,608**	**(4,812,087)**	**(4,812,087)**	**33,500,521**
Net reinsurance contract (assets)/liabilities	**6,331,334**	**-**	**6,331,334**	**19,804,699**	**19,804,699**	**26,136,033**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

7. Insurance contracts issued and reinsurance contracts held (continued)

a) Movements in insurance and reinsurance contract held balances (continued)

Reinsurance Contracts: Analysis by liabilities for remaining coverage and liabilities for incurred claims 2022 (restated)

	Asset for remaining coverage			Amounts recoverable on incurred claims		Reinsurance contract assets (liabilities)
	Excluding loss component	Loss recovery component	Total	Estimated PV of future cash flows (includes risk adjustment)	Total	**Total**
	K	K	K	K	K	**K**
Net reinsurance contract (assets)/liabilities	**6,331,334**	**-**	**6,331,334**	**8,171,566**	**8,171,566**	**14,502,900**
Changes in the statement of comprehensive income						
Allocation of reinsurance premium paid	(14,271,758)	-	(14,271,758)	-	-	(14,271,758)
Amounts recoverable from reinsurers:	-	-	-	-	-	-
Recoveries of incurred claims and other insurance service expenses	-	-	-	(178,816)	(178,816)	(178,816)
Adjustments to assets for incurred claims- past services	-	-	-	-	-	-
Recoveries and reversals of recoveries of losses on onerous contracts	-	-	-	-	-	-
Adjustments to assets for incurred claims- future services	-	-	-	-	-	-
Insurance service result	**(14,271,758)**	**-**	**(14,271,758)**	**(178,816)**	**(178,816)**	**(14,450,574)**
Finance income/expenses from reinsurance contracts held	-	-	-			-
Effect of movement in exchange rates	-	-	-			-
Amounts recognised in profit or loss	**(14,271,758)**	**-**	**(14,271,758)**	**(178,816)**	**(178,816)**	**(14,450,574)**
Premiums paid	14,271,758	-	14,271,758	-	-	14,271,758
Amounts recovered	-	-	-	(821,184)	(821,184)	(821,184)
Total cash flows	**14,271,758**	**-**	**14,271,758**	**(821,184)**	**(821,184)**	**13,450,574**
Net reinsurance contract (assets)/liabilities	**6,331,334**	**-**	**6,331,334**	**7,171,566**	**7,171,566**	**13,502,900**

7. Insurance contracts issued and reinsurance contracts held (continued)

b) Claims development

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. As required by IFRS 17, in setting claims provisions, the Group gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain. The Group has not disclosed previously unpublished information about claims development that occurred earlier than 2019 before the end of the annual reporting period in which it first applies IFRS 17.

Gross undiscounted LIC for 2023

	Development year					
	2019	**2020**	**2021**	**2022**	**2023**	**Total**
Accident year	**K**	**K**	**K**	**K**	**K**	**K**
Gross of reinsurance	**000'**	**000'**	**000'**	**000'**	**000'**	**000'**
Estimates of undiscounted gross cumulative claims						
At end of accident year	69,340	45,011	37,918	41,954	50,619	
One year later	62,979	38,222	52,680	42,584	-	
Two years later	57,391	45,742	44,593	-	-	
Three years later	69,904	39,171	-	-	-	
Four years later	73,184	-	-	-	-	
	73,184	39,171	44,593	42,584	50,619	250,152
Cumulative gross claims paid	72,942	37,643	28,983	38,537	31,507	209,613
Cumulative liability	242	1,528	15,610	4,047	19,112	40,539
Gross liabilities – accident years 2019 to 2022						1,269
Best estimate of the claims liability						**41,808**
Claims handling expenses						1,167
Risk adjustment						4,623
Effect of discounting						(625)
Gross liabilities for incurred claims						**46,973**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

7. Insurance contracts issued and reinsurance contracts held (continued)

b) Claims development (continued)

	Development year					
	2019	2020	2021	2022	2023	Total
Accident year	K	K	K	K	K	K
Net of reinsurance	000’	000’	000’	000’	000’	
Estimates of undiscounted net cumulative claims						
At end of accident year	49,644	28,246	22,004	21,818	29,734	
One year later	38,368	21,027	18,745	19,019	-	
Two years later	31,926	20,317	16,620	-	-	
Three years later	27,186	19,510	-	-	-	
Four years later	27,039	-	-	-	-	
	27,039	19,510	16,620	19,019	29,734	111,921
Cumulative net claims paid	**27,039**	**19,510**	**16,480**	**17,944**	**21,785**	**102,758**
Cumulative liability	-	-	**140**	**1,075**	**7,949**	**9,164**
Gross liabilities – accident years 2019 to 2022						355
Best estimate of claims liability						9,519
Claims handling expense						186
Risk adjustments						1,589
Effect of discounting						(21)
Net liabilities for incurred claims						**11,273**

7. Insurance contracts issued and reinsurance contracts held (continued)

c) Total investment income and insurance finance income/ (expenses)

	Group	
	2023	**2022**
	K	**K**
Investment income/(expenses) on underlying assets recognised in P&L		
Net income from financial instruments measured at FVTPL	7,462,779	10,393,690
Other income/(expenses)	26,383,424	46,778,510
Total investment income/(expenses) on underlying assets recognised in P&L	**33,846,203**	**57,172,200**
Total investment income/(expenses) on underlying assets recognised in OCI	**-**	**-**
Total net investment income/(expenses)	**33,846,203**	**57,172,200**

d) Information of the actuarial report with respect to policy liabilities

The actuarial valuation was performed by Jeremy Peter Wall (FIAA) from JPWALL Consulting Partners (International) Limited and based on the financial data of CIG as at 30 November 2023 and finalised in March 2024.

Sensitivity analysis
Information of the actuarial report with respect to insurance contract liabilities: Key inputs for sensitivity calculations and disclosure required from Group Appointed Actuaries actuarial. Disclosure format retained from original set, however, updated for LIC & LfRC. The following are potential additions to be considered for key sensitivity assessment:

- Changes in discount rates
- Changes in liquidity premium
- Changes in risk adjustment

8. Net interest income

8.1. Interest income and similar income

	Group		Society	
	2023	**2022**	**2023**	**2022**
	K	**K**	**K**	**K**
Loans	95,778,817	84,706,176	75,132,913	65,999,755
IBDs and debt securities	4,265,574	3,401,797	3,061,423	2,541,896
	100,044,391	**88,107,973**	**78,194,336**	**68,541,651**

The effective interest rates on loans ranges from 12% to 25% whilst the interest rates on IBDs and debt securities are fully disclosed in Note 12.

8.2. Interest expense

	Group		Society	
	2023	**2022**	**2023**	**2022**
	K	**K**	**K**	**K**
Members and customers' savings	(12,041,553)	(11,173,362)	(8,209,820)	(8,063,020)
Additional interest distribution made from additional interest reserves	(24,292,505)	(30,221,879)	(24,292,505)	(30,221,879)
Total interest credited and distributed to members	(36,334,058)	(41,395,241)	(32,502,325)	(38,284,899)
Interest expense on lease liability	(1,506,999)	(514,524)	(449,881)	(465,277)
	(37,841,057)	**(41,909,765)**	**(32,952,206)**	**(38,750,176)**
Total interest expense before interest distribution from additional interest reserves	**(13,548,552)**	**(11,687,886)**	**(8,659,701)**	**(8,528,297)**

8. Net interest income (continued)
8.2. Interest income and similar income (continued)

Interest expense on member savings is accrued and credited to member accounts at the end of each month. The total monthly interest charges credited to member accounts during the year amounted to Society: K8,209,820 (2022: K8,063,020) and Group: K12,041,553 (2022: K11,173,362). An additional interest expense of 7% on members General Savings of K24,292,505 (2022: K30,221,879 comprising 7% annual interest of K23,505,906 and 2% one-off 50th anniversary interest of K6,715,973) was credited to members' S10 Yumi Card accounts out of the additional interest reserve (refer Note 28).

8.3. Other income

Net loan processing and account administration fees	3,627,796	4,062,886	3,008,179	7,909,947
Tisa and LPI insurance commission, and other income	7,076,057	5,269,724	7,588,687	1,691,792
Total other income	**10,703,853**	**9,332,610**	**10,596,866**	**9,601,739**

9. Impairment of financial assets at amortised cost

Impairment on loans to members and customers at amortised cost (Note 13)	(21,627,074)	(6,434,880)	(8,912,004)	(2,112,708)
	(21,627,074)	**(6,434,880)**	**(8,912,004)**	**(2,112,708)**

10. Operating expense

	Group		Society	
	2023	**2022 Restated**	**2023**	**2022**
	K	**K**	**K**	**K**
Advertising and promotion	4,910,790	5,039,469	1,665,157	4,070,328
Auditor's remuneration	732,044	598,868	330,418	372,026
Bank Charges	107,021	80,619	80,670	69,048
Board fees and allowances	1,608,140	1,805,860	485,681	648,913
Cleaning	367,599	349,114	23,160	69,984
Consulting	4,235,261	3,245,072	1,892,132	3,001,656
Data processing expenses	2,203,518	3,228,924	2,129,060	3,161,411
Depreciation and amortisation	8,559,137	7,010,925	5,821,900	6,103,836
Donations	10,000	38,272	10,000	35,000
Electricity	2,130,207	2,142,645	654,890	685,166
Entertainment	50,027	28,770	46,915	28,770
Filing and legal cost	28,782	108,215	44,702	101,780
Freight	361,566	342,099	347,219	330,928
Fuel	554,900	515,582	291,084	312,465
General and administrative expenses	19,312,180	13,411,187	6,371,885	3,973,607
Insurance	1,881,980	972,426	912,102	648,102
Labour charges	42,337,176	37,364,730	25,031,122	26,404,253
Motor vehicle expenses	572,196	268,982	319,113	232,852
Printing and stationery	514,589	521,760	393,108	447,031
Rates and taxes	463,889	846,660	34,272	54,825
Repair and maintenance	1,802,224	1,204,850	431,760	553,027
Security costs	1,079,761	976,678	616,173	577,077
Telephone	1,318,729	598,391	535,313	547,394
Travel, airfare and accommodation	1,935,882	989,651	1,109,950	824,640
Total operating expenses	**97,077,598**	**81,689,749**	**49,577,786**	**53,254,119**

Surplus for the year was arrived at after charging (crediting) the above items to the Statement of Profit or Loss and Other Comprehensive Income.

11. Changes in fair value of financial assets

	Group		Society	
	2023	2022	2023	2022
	K	K	K	K
Bank of South Pacific	1,623,263	2,450,778	1,623,263	2,450,778
Credit Corporation (PNG) Limited	8,688,822	8,264,295	8,688,822	8,264,295
CIG's AFS change in fair value	715,455	(321,384)	-	-
	11,027,540	**10,393,689**	**10,312,085**	**10,715,073**

12. Cash and cash equivalents and interest-bearing deposits (IBD)

Cash and cash equivalents				
Cash on hand and at bank	118,549,451	179,509,615	10,183,209	19,048,783
IBDs below 3 months	70,791,509	5,012,535	60,066,299	44,673,336
Total cash and cash equivalents	**189,340,960**	**184,522,150**	**70,249,508**	**63,722,119**
IBDs above 3 months	**19,899,565**	**19,007,082**	**-**	**-**

IBDs earn an interest ranging from 1.50% to 4.67% per annum. Investments in short-term government treasury bills have been disclosed in Note 15.d.

As at 31 December 2023, the Society had a combined total of nil (2022: K10,012,534) of IBD placement with its subsidiary TCF and other institutions.

The Society does not have a credit facility with any bank. It operates a number of accounts with BSP Financial Group Limited with the main operating account used for general administration and loan payments to members.

13. Net loans to members and customers

The effective interest rate charged by the Society on loans to members was 12% per annum. These loans are repayable over various periods, as pre-approved by the Board, but not exceeding 5 years. Interest receivable on loans is capitalized into the loan balance.

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

Loans and provisioning	Group		Society	
	2023	2022	2023	2022
	K	K	K	K
Loans receivables from members and customers	397,269,352	342,179,027	337,517,559	285,723,174
ECL allowance for impairment losses	(37,774,367)	(16,239,768)	(21,195,003)	(12,282,999)
Net loans to member and customers	**359,494,985**	**325,939,259**	**316,322,556**	**273,440,175**
ECL allowance for impairment losses				
Opening balance	16,239,768	15,064,435	12,282,999	12,971,013
Increase in provisions	21,534,599	6,434,880	8,912,004	2,112,708
Bad debts recovered/ (written off)	-	(5,259,546)	-	(2,800,721)
Closing balance	**37,774,367**	**16,239,768**	**21,195,003**	**12,282,999**

14. Rental and other receivables

	Group		Society	
	2023	2022 Restated	2023	2022
	K	K	K	K
Rental and other receivables				
Rental debtors and bonds	3,760,882	4,377,148	-	-
Less: Allowance for doubtful debts	(439,623)	(439,623)	-	-
Net rental debtors	**3,321,259**	**3,937,525**	**-**	**-**
Other debtors *	15,127,044	17,901,295	186,709,939	156,954,342
Less: Allowance for other debtors	-	-	-	-
Net other debtors	**15,127,044**	**17,870,841**	**186,709,939**	**156,954,342**
Prepayments	3,930,007	5,435,138	2,143,738	2,696,622
Interest receivable	1,975,022	754,406	-	8,580
Subtotal prepayments, interest, and member receivables	**5,905,029**	**6,189,544**	**2,143,738**	**2,705,202**
Total rental and other receivables	**24,353,332**	**28,028,364**	**188,853,677**	**159,659,544**

* Other debtors comprised largely of intercompany receivable from TCF and TPL to the parent TISA. The receivable balance as at 31 December 2023 for TCF is K40,618,480 (2022: K9,997,171), TPL is K129,240,876 (2022: K117,720,534), TIL is K9,080,932 (2022: K11,271,787) and other sundry debtors is K7,769,651 (2022: K17,964,850).

15. Other financial assets

	Group		Society	
	2023	2022	2023	2022
	K	K	K	K
Other financial assets				
Quoted shares (note 15.a)	158,039,766	187,753,699	133,090,265	170,850,003
Unquoted shares (note 15.b)	33,300	33,300	-	-
Government debt securities (note 15.d)	83,225,155	65,563,291	29,970,613	31,687,608
Total other financial assets	**241,298,221**	**253,350,290**	**163,060,878**	**202,537,611**

15. Other financial assets (continued)

15.a Quoted shares

Quoted shares are financial assets classified as Fair Value through Profit and Loss with any changes in the fair value of the assets recorded in the Statement of Profit or Loss and Other Comprehensive Income.

	Group		**Society**	
	2023	**2022**	**2023**	**2022**
	K	**K**	**K**	**K**
Quoted shares held by TISA in				
BSP Financial Group Limited				
Opening balance, 1 January	63,687,859	187,637,734	63,687,859	187,637,734
Disposed during the year (3,873,636 @ K12.41 per share)	(48,071,823)	(126,400,653)	(48,071,823)	(126,400,653)
Balance after disposal	**15,616,036**	**61,237,081**	**15,616,036**	**61,237,081**
Fair value gain	1,623,263	2,450,778	1,623,263	2,450,778
Valuation (2023: 1,258,343 shares @ K13.70 per share)	**17,239,299**	**63,687,859**	**17,239,299**	**63,687,859**
(2022: 5,131,979 shares @ K12.41 per share)				

During the year, a total of K2,227,904 (2022: K23,406,279) dividend was received from Bank South Limited.

	Group		**Society**	
	2023	**2022**	**2023**	**2022**
	K	**K**	**K**	**K**
Quoted shares held by TISA in				
Credit Corporation (PNG) Limited				
Opening balance, 1 January	107,162,144	81,670,680	107,162,144	81,670,680
Acquired during the year	-	17,227,169	-	17,227,169
Closing balance, 31 December	107,162,144	98,897,849	107,162,144	98,897,849
Fair value gain from change in net market value	8,688,822	8,264,295	8,688,822	8,264,295
Valuation (2023: 57,925,483 shares @ K2.00 per share)	**115,850,966**	**107,162,144**	**115,850,966**	**107,162,144**
(2022: 57,925,843 shares @ K1.85per share)				

During the year, a total of K13,496,638 (2022: K12,333,550) dividend was received from Credit Corporation (PNG) Limited.

15. Other financial assets (continued)
15.a Quoted shares (continued)

	Group		Society	
	2023	**2022**	**2023**	**2022**
	K	**K**	**K**	**K**
Quoted shares held by CIG in				
BSP Financial Group Limited				
Opening balance, 1 January	8,663,347	8,680,000	-	-
Acquired during the year (637,755 shares @ K13.75 per share)	8,769,131	-	-	-
Fair value gain from change in net market value	894,765	(16,653)	-	-
Valuation (2023: 1,337,755 shares @ K13.70per share)	**18,327,243**	**8,663,347**	-	-
(2022: 670,000 shares @ K12.41per share and 30,000 shares @ K11.6215 per share)				
Quoted shares held by CIG in				
Credit Corporation (PNG) Limited				
Opening balance, 1 January	1,942,500	1,942,500	-	-
Fair value gain from change in net market value	157,500	-	-	-
Valuation (2023: 1,050,000 shares @ K2.00 per share)	**2,100,000**	**1,942,500**	**-**	**-**
Valuation (2022: 1,050,000 shares @ K1.85 per share)				
Quoted shares held by CIG in				
City Pharmacy Limited				
Opening balance, 1 January	675,000	712,500	-	-
Fair value (loss) from change in net market value	(82,500)	(37,500)	-	-
Valuation (2023:750,000 shares @ K0.79 per share)	**592,500**	**675,000**	**-**	**-**
(2022:750,000 shares @ K0.90 per share)				
Quoted shares held by CIG in				
Kina Asset Management Limited				
Opening balance, 1 January	1,571,845	1,514,889	-	-
Acquired during the year through dividend re-investment plan (2023:119,597 shares @ K0.90 per share) (2022: 77,180 shares @ K0.95 per share and 63,362 shares @ K1.00 per share)	107,637	136,687	-	-
Fair value (loss) from change in net market value	(67,225)	(79,731)	-	-
Valuation (2023:1,791,397 shares @ K0.90 per share)	**1,612,257**	**1,571,845**	**-**	**-**
(2022:1,671,800 shares @ K0.95 per share)				

15. Other financial assets (continued)
15.a Quoted shares (continued)

	Group		Society	
	2023	2022	2023	2022
	K	K	K	K
Quoted shares held by CIG in				
Kina Securities Limited				
Opening balance, 1 January	2,062,500	2,250,000	-	-
Fair value loss from change in net market value	(187,500)	(187,500)	-	-
Valuation (2023: 750,000 shares @ K2.50 per share)	**1,875,000**	**2,062,500**	**-**	-
(2022: 750,000 shares @ K2.75 per share)				
Quoted shares held by CIG in				
Fiji Islands Limited				
Opening balance, 1 January	1,148,504	3,411,337	-	-
Disposed during the year 48,418 shares @ K14.58 per share (2022: 142,637 shares@ K12.075 per share)	(705,934)	(1,722,342)	-	-
Fair value gain change in net market value	(70)	1,465,801	-	-
Loss/Gain on sale of shares	-	(2,006,292)	-	-
Valuation (2023: 125,000 shares @ K3.5439 per share)	**442,985**	**1,148,504**	**-**	-
(2022: 750,000 shares @ K2.75 per share)				
Total quoted shares	**158,039,766**	**187,753,699**	**133,090,265**	**170,850,003**

15.b Unquoted shares

As at 31 December 2023, the Society's interest holding in Credit & Data Bureau Limited (CDB) is 6.66%, the shares are classified as unquoted equity investments held at cost.

	Group		Society	
	2023	2022	2023	2022
Unquoted shares:				
Credit & Data Bureau Limited	33,300	33,300	-	-
	33,300	**33,300**	-	-

During the year, a total of K33,300 (2022: K33,300) dividend was received from Credit & Data Bureau Limited.

15. Other financial assets (continued)

15.c Investment in subsidiaries

The Society holds controlling stakes in subsidiaries as follows: -

	2023 % Holding	2022 % Holding	Nature of Business	Status
TISA Group Limited	100%	100%	Holding	Active
TISA Community Finance Limited	100%	100%	Financial Services	Active
TISA Property Limited	100%	100%	Real estate	Active
TISA Investments Limited	100%	100%	Financial Services	Active
Capital Insurance Group Limited	56.12%	56.12%	Insurance	Active

Reconciliation of investment in associate at consolidated level
The Group gained control over CIG in 2022 and has been consolidated since then.

	Group	
	2023 K	2022 K
Balance at beginning of year	-	12,282,064
Share of net income/ (loss)	-	1,196,121
Gain on acquisition of subsidiary	-	6,214,809
Reclassification on acquisition	-	(19,692,994)
Total investment in associate	-	-

In the year 2022 CIG has become a subsidiary, consequently no equity accounting is required. The Investment in CIG is held by TISA Investments Limited. The non-controlling interest, 43.88% is determined to be K32,028,732 as at 31 December 2023 (2022: K27,554,103). The balance is comprised of:

	Group	
Reconciliation of investment in associate at consolidated level	**2023**	**2022**
Opening Non-controlling interest	27,554,103	-
Non-controlling interest on acquisition	-	24,711,667
Non-controlling interest post-acquisition	4,474,629	2,842,436
Non-controlling interest at the beginning of the year	**32,028,732**	**27,554,103**

	Society	
	2023	**2022**
Opening balance TCF Investment	166,700,001	166,700,001
TCF (subsidiary)	**166,700,001**	**166,700,001**
Opening balance TPL Investment	65,525,803	65,525,803
TPL (subsidiary)	**65,525,803**	**65,525,803**
Opening balance TIL Investment	10,665,176	10,665,176
TIL (subsidiary)	**10,665,176**	**10,665,176**
Total Investment in Subsidiaries	**242,890,980**	**242,890,980**

15. Other financial assets (continued)

15.d Government debt securities

Investments in Government securities are classified as other financial assets and are accounted for at amortized cost method using the effective interest method.

	Group		Society	
	2023	**2022**	**2023**	**2022**
	K	**K**	**K**	**K**
Government debt securities				
Treasury and central bank bill – amortised cost	69,246,862	51,810,283	15,992,320	17,934,600
Inscribed stock – face value on maturity	14,000,000	14,000,000	14,000,000	14,000,000
Net discount on Inscribed Stock	(21,707)	(246,992)	(21,707)	(246,992)
Total government debt securities	**83,225,155**	**65,563,291**	**29,970,613**	**31,687,608**

Investments in Government Inscribed Stock bear interest varying between 9.5% - 10.5% per annum (2022: 9.5% - 10.5% per annum). Also included in Government debt securities investments are treasury and central bank bills that have maturities of no more than 7 days from the balance date and provide a return of 2% per annum (2022: 1.97% to 2.67% per annum). Interest receivables have been recorded in note 14.

16. Investment properties

	Group			
Properties	**Fair Value 31-Dec-22**	**Additions/ (Disposal) Transfer**	**Gain/ (loss)**	**Fair Value 31-Dec-23**
	K	**K**	**K**	**K**
Tisa Haus, Waigani	27,107,853	3,306,157	782,990	31,197,000
Tisa Haus, Lae	7,000,000	-	(500,000)	6,500,000
Tisa Haus, Madang	2,349,000	-	(109,000)	2,240,000
Kouaka Place, Gordons	7,124,062	-	(2,824,062)	4,300,000
Land adjacent to NDB, Waigani	20,500,000	-	500,000	21,000,000
Land adjacent to TISA, Waigani	13,409,000	-	-	13,409,000
Alotau Lot 5, Section 10, Alotau	9,554,689	-	(1,214,689)	8,340,000
4 Unit Flat (Lae)	1,800,000	-	(200,000)	1,600,000
	88,844,604	**3,306,157**	**(3,564,761)**	**88,586,000**

The Group engaged Northern Property Valuers and LJ Hooker both independent and accredited valuation firms to conduct the valuation of its investment properties at fair value in the financial year. The valuation was performed in accordance with the International Valuation Standards and acceptable methods for financial reporting under IFRS. The valuation methodology used to value majority of the assets was the income approach (capitalization) method, summation (cost) approach and comparable sale of similar commercial properties. Where applicable a combination of this accepted methods was used to determine its fair value.

Information about how the fair values of the Company's investment properties are 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 properties 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. The market approach relies on prices and other relevant information from market transactions involving similar assets (comparable) however certain limitations such as comparable sales data and lack of updated evidence required a combination of approaches. The summation (cost) approach provides a value indication that is the sum of the estimated land value, plus the depreciated cost of the building and other improvements.

16. Investment properties (continued)

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

	Group		Society	
	2023	**2022**	**2023**	**2022**
	K	**K**	**K**	**K**
Rental income and other property related income	8,502,736	5,533,592	-	-
Operating expenses	(3,054,430)	(1,073,317)	-	-
Profit from investment properties	5,448,306	4,460,275	-	-

17. Property and equipment

				Group			
	ROU – Asset	Land & buildings	Furniture & fittings	Office equipment	Motor vehicles	Others	Total
	K	K	K	K	K	K	K
Cost or valuation							
Balance at 1 January 2023	21,041,736	27,372,375	5,569,157	7,806,864	5,361,853	1,863,780	69,015,765
Revaluation	-	(502,593)*	-	-	-	-	(502,593)
Additions	210,317	2,204,104	3,033,560	3,133	1,398,847	-	6,849,961
Disposals/Adjustments	(2,335,436)	(13,486)	-	-	-	(543,172)	(2,892,094)
Balance at 31 December 2023	**18,916,617**	**29,060,400**	**8,602,717**	**7,809,997**	**6,760,700**	**1,320,608**	**72,471,038**
Accumulated depreciation and impairment losses							
Balance at 1 January 2023	9,298,451	1,299,236	1,765,321	3,943,274	2,438,883	1,479,452	20,224,617
Depreciation for the year	4,069,776	451,256	513,481	866,845	557,054	1,438,037	7,896,449
Disposals/Adjustments	(677,214)	235,762	1,188,431	270,237	1,640,108	(1,782,544)	874,780
Balance at 31 December 2023	**12,691,013**	**1,986,254**	**3,467,233**	**5,080,356**	**4,636,045**	**1,134,945**	**28,995,846**
Carrying amounts at 31 December 2023	**6,225,603**	**27,074,146**	**5,135,484**	**2,729,641**	**2,124,655**	**185,663**	**43,475,193**

***Revaluation gains and losses for land and buildings resulted in a net decrease of K502,593. A loss of K173,062 was recognised in other comprehensive income.**

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17. Property and equipment (continued)

	Group						
	ROU – Asset	Land & buildings	Furniture & fittings	Office equipment	Motor vehicles	Others	Total
	K	K	K	K	K	K	K
Cost or valuation							
At 1 January 2022	16,023,767	9,300,473	5,049,997	6,519,537	4,002,836	1,841,148	42,737,759
Reclass. from Inv. property	-	18,071,902	-	-	-	-	18,071,902
Recognised on business combination	-	-	72,680	627,162	815,702	21,320	1,536,864
Additions	4,703,989	-	358,068	897,005	910,274	1,312	6,870,648
Disposals/Adjustments	313,980	-	88,412	(236,840)	(366,960)	-	(201,407)
At 31 December 2022	**21,041,736**	**27,372,375**	**5,569,157**	**7,806,864**	**5,361,853**	**1,863,780**	**69,015,766**
Accumulated depreciation and impairment losses							
At 1 January 2022	7,590,814	906,298	1,239,001	2,929,926	2,222,357	760,034	15,648,430
Depreciation on reclassified investment property	-	157,175	-	-	-	-	157,175
Depreciation for the year	3,300,084	235,763	518,206	1,004,912	774,600	719,418	6,552,982
Disposals/Adjustments	(1,592,447)	-	8,114	8,436	(558,073)	-	(2,133,970)
At 31 December 2022	**9,298,451**	**1,299,236**	**1,765,321**	**3,943,274**	**2,438,883**	**1,479,452**	**20,224,616**
Carrying amounts at 31 December 2022	**11,743,285**	**26,073,139**	**3,803,836**	**3,863,590**	**2,922,970**	**384,328**	**48,791,150**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

17. Property and equipment (continued)

	Society						
	ROU – Asset	Land & buildings	Furniture & fittings	Office equipment	Motor vehicles	Others	Total
	K	K	K	K	K	K	K
Cost or valuation							
At 1 January 2023	15,195,567	9,300,473	3,962,968	6,674,829	3,663,278	1,830,807	40,627,922
Revaluation	-	(1,024,587)	-	-	-	-	(1,024,587)
Additions	180,119	-	-	-	-	-	180,119
Disposals/Adjustments	(1,151,713)	(13,486)	-	-	-	-	(1,165,199)
At 31 December 2023	**14,223,973**	**8,262,400**	**3,962,968**	**6,674,829**	**3,663,279**	**1,830,807**	**38,618,256**
Accumulated depreciation and impairment losses							
At 1 January 2023	7,859,084	1,142,062	1,319,606	3,514,896	2,050,825	919,855	16,806,328
Depreciation for the year	3,235,729	235,763	373,734	778,321	414,790	164,745	5,203,083
Adjustments/Adjustments	(1,151,714)	-	-	18,470	-	-	(1,133,244)
Disposals		-	-	-	-	-	-
At 31 December 2023	**9,943,099**	**1,377,825**	**1,693,340**	**4,311,687**	**2,465,615**	**1,084,601**	**20,876,167**
Carrying amounts at 31 December 2023	**4,280,874**	**6,884,575**	**2,269,628**	**2,363,142**	**1,197,664**	**746,206**	**17,742,089**

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17. Property and equipment (continued)

				Society			
	ROU – Asset	**Land & buildings**	**Furniture & fittings**	**Office equipment**	**Motor vehicles**	**Others**	**Total**
	K	**K**	**K**	**K**	**K**	**K**	**K**
Cost or valuation							
At 1 January 2022	10,627,065	9,300,473	3,630,849	5,853,178	3,550,788	1,830,807	34,793,160
Additions	4,568,502	-	332,119	821,651	343,490	-	6,065,762
Disposals/Adjustments	-	-	-	-	(231,000)	-	(231,000)
At 31 December 2022	**15,195,567**	**9,300,473**	**3,962,968**	**6,674,829**	**3,663,278**	**1,830,807**	**40,627,922**
Accumulated depreciation and impairment losses							
At 1 January 2022	5,938,434	906,299	954,062	2,826,775	1,827,738	755,110	13,208,418
Adjustments	(1,699,696)	-	-	15,333	(231,000)	-	(1,915,363)
Depreciation for the year	3,620,346	235,763	365,544	672,788	615,003	164,745	5,674,191
Disposals	-	-	-	-	(160,916)	-	(160,916)
At 31 December 2022	**7,859,084**	**1,142,062**	**1,319,606**	**3,514,896**	**2,050,825**	**919,855**	**16,806,330**
Carrying amounts at 31 December 2022	**7,336,483**	**8,158,411**	**2,643,362**	**3,159,933**	**1,612,453**	**910,952**	**23,821,594**

Land and buildings are measured at fair value, being the amounts for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The carrying amounts are based on an independent revaluation undertaken by The Northern Property Valuers and LJ Hooker in the current year as the fair value assessment is undertaken every three years as per the Group's policy.

18. Work in progress

	Group		Society	
	2023	2022	2023	2022
	K	K	K	K
Work in Progress				
Opening balance, 1 January	140,347,319	67,428,369	12,343,370	3,238,086
Additions during the year	50,521,660	73,977,366	24,421,154	9,975,610
Reclassification and transfers during the year	(31,520,249)	(1,058,416)	(24,540,227)	(870,325)
Closing balance, 31 December	**159,348,730**	**140,347,319**	**12,224,297**	**12,343,370**

Capital work in progress ('WIP') relates to major refurbishment and construction work on the Group's land and building assets and investment properties. The current work in progress predominantly relates to construction and improvements to the new Tisa Rua building and core banking upgrade and improvements.

19. Intangibles

	Group		Society	
	2023	2022	2023	2022
Cost	K	K	K	K
Opening balance, 1 January	2,804,320	3,766,204	3,175,643	3,766,207
Additions/(transfers)	(28,777)	(1,112,080)	-	-
Balance of intangibles acquired from CIG	-	1,232,343	-	-
Amortisation for the year	(1,198,306)	(1,082,147)	(618,821)	(590,564)
Closing balance, 31 December	**1,577,237**	**2,804,320**	**2,556,822**	**3,175,643**

The recorded intangibles relate to computer software.

20. Savings and deposits

Members' and customers' savings				
Members' and customers' savings pre-additional interest	449,141,456	430,845,719	381,306,689	367,212,795
Additional interest distributed	24,292,505	23,505,906	24,292,505	23,505,906
Additional interest distributed - 50th anniversary bonus interest	-	6,715,973	-	6,715,973
Total members' and customers' savings	**473,433,961**	**461,067,598**	**405,599,194**	**397,434,674**

21. Creditors and accruals

	Group		Society	
	2023	2022 Restated	2023	2022
	K	K	K	K
Intercompany - TCF *	-	-	81,671,117	68,521,306
Rental bonds	296,747	296,747	211,181	211,181
Group tax	468,309		421,005	-
Accrued expenses	14,917,528	9,169,124	2,363,103	4,460,859
Sundry creditors	1,830,696	4,907,366	2,506,117	6,250,221
Total creditors and accruals	**17,513,280**	**14,373,237**	**87,172,523**	**79,443,567**

* The Society balance of K81,671,117 is largely made up of payables to subsidiary company TCF. The payables largely relates to issued shares of K166,771,000 by TCF to Tisa in the 2021 financial year.

22. Lease liability

i.) Maturity analysis of lease liabilities

	Group		Society	
	2023	2022	2023	2022
Maturity analysis - Contractual discounted cash flow	K	K	K	K
Less than one year	4,989,495	3,620,772	3,905,826	2,794,692
Between one and five years	1,371,440	7,241,545	577,819	5,589,385
Total discounted lease liabilities	**6,360,935**	**10,862,317**	**4,483,645**	**8,384,077**

ii.) Amount recognised in profit or loss	-		-	
Interest on lease liabilities	1,632,248	514,524	449,881	465,277
	1,632,248	**514,524**	**449,881**	**465,277**
iii.) Amount recognised in Statement of Cash Flows				
Total cash outflows for leases	(4,866,439)	(4,609,318)	(3,964,251)	(2,751,825)
	(4,866,439)	**(4,609,318)**	**(3,964,251)**	**(2,751,825)**
iv.) Lease liabilities				
Opening balance, 1 January	10,862,317	9,013,859	8,384,077	5,511,115
Additions	63,819	6,457,776	63,819	5,624,787
Capital repayments	(4,565,201)	(4,609,318)	(3,964,251)	(2,751,825)
Closing balance 31 December	**6,360,935**	**10,862,317**	**4,483,645**	**8,384,077**

Leased asset includes buildings and furniture.

23. Employee provisions

Employee provisions				
Annual leave	2,476,310	4,129,160	1,424,470	3,375,864
Long service leave	4,691,104	4,044,183	3,540,677	3,430,584
Total employee provisions	**7,167,414**	**8,173,343**	**4,965,147**	**6,806,448**

24. Income tax

	Group	
	2023	2022
24.1 Income Tax expense	K	K
Current tax	8,161,603	5,750,155
Adjustments in the previous year	(3,054,430)	282,210
Deferred tax expense	(6,014,417)	(1,112,390)
	2,371,412	4,919,975
Accounting profit/(loss) before tax	55,499,309	81,424,917
Deductible expense - lease expense	(1,120,769)	(1,180,318)
	54,378,540	80,244,599
Tax on the profit/(loss) for the year at 30%	16,313,562	24,073,380
Taxation effect of permanent differences		
- Non-deductible items	2,632,770	265,761
- Non-taxable *	(15,735,276)	(18,588,986)

24. Income tax (continued)
24.1 Income tax expense (continued)

	Group	
	2023	**2023**
	K	**K**
Taxation effect of temporary differences		
- Non-deductible items	6,546,868	-
- Deductible items	(1,596,321)	-
	8,161,603	**5,750,155**

* Non-taxable items are in relation to tax exempt activities of the Society under Section 40A of the *Income Tax Act 1959 as amended.*

24.2 Income Tax receivable

	Group	
	2023	**2022**
	K	**K**
Opening balance of income tax	(4,980,685)	2,419,092
Current tax payable	8,161,603	5,750,155
Under provision - previous year	240,417	282,210
Offset of withholding taxes	8,656	-
Payments during the year	(6,176,062)	(13,432,141)
	(2,746,070)	**(4,980,685)**

24.3 Deferred tax asset/(liability)

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

		Group	
	Asset	**Liability**	**Net**
	K		**K**
As at 31 December 2023			
Provisions and accruals	6,359,887	-	6,359,887
Lease Liability	1,703,020	-	1,703,020
Prepayments	-	(43,694)	(43,694)
Property, plant, and equipment	2,662	-	2,662
Right of Use Asset	-	(2,871,082)	(2,871,082)
Unearned interest income	-	(150,658)	(150,658)
Tax losses carry forward	3,505,054	-	3,505,054
Other receivable	-	(62,764)	(62,764)
Unrealised exchange gain	-	(47,327)	(47,327)
Insurance and reinsurance contracts	-	(1,994,392)	(1,994,392)
	11,570,623	**(5,169,917)**	**6,400,706**
As at 31 December 2022			
Provisions and accruals	1,297,489	-	1,297,489
Prepayments	-	(567,123)	(567,123)
Tax losses carried forward	1,178,687	-	1,178,687
Other	-	(160,951)	(160,951)
	2,476,176	**(728,074)**	**1,748,102**

25. Member's capital

TISA is a limited liability company registered under the *Companies Act 1997 (amended 2022)*. As a licensed savings and loans society under the *Savings and Loan Societies Act 2015*, the shares of TISA are mutually held by its members, each of whom are mutual shareholders.

By operation of the *Savings and Loan Societies Act 2015*, the cost of capital of K66,217 (i.e., 66,217 shareholders at nominal value of K1.00 per share) was taken out of retained earnings. The cost of capital as at 31 December 2023 was K66,217 (2022: K62,023).

26. Asset revaluation reserve

	Group		Society	
	2023	2022	2023	2022
Asset revaluation reserve reconciliation	K	K	K	K
Opening balance at 1 January	5,603,567	5,603,567	5,603,567	5,603,567
Change in fair value of land and buildings	(502,593)	-	(1,024,587)	-
Reserve balance at 31 December 2023	**5,100,974**	**5,603,567**	**4,578,980**	**5,603,567**

27. General reserve

General reserve reconciliation	Group		Society	
	2023	2022	2023	2022
	K	K	K	K
Opening balance at 1 January	33,534,306	33,534,306	33,534,306	33,534,306
Transfers in from retained earnings	-	-	-	-
Transfer out to additional interest reserve	-	-	-	-
Reserve balance at 31 December	**33,534,306**	**33,534,306**	**33,534,306**	**33,534,306**

Under the repealed *Savings and Loan Societies Act 1995*, the Society was required to transfer 20% of its net earnings or profit (before declaring additional interest to the members or dividends) to a general reserve fund as a buffer against any financial risks and exposures in accordance with section 47. The transfer is not required once the general reserve fund exceeds 10% of total liabilities.

The *Savings and Loan Societies Act 2015* does not clearly indicate if the Society is not obliged to maintain this reserve, therefore the Society will maintain the reserve until a final decision is reached by the Board to transfer the balance to an appropriate account.

28. Additional interest reserve

	Group		Society	
	2023	2022	2023	2022
Additional interest reserve reconciliation	K	K	K	K
Opening balance at 1 January	83,042,612	73,153,385	83,042,612	73,153,385
Transfers in from Retained Earnings	30,829,379	40,111,106	30,829,379	40,111,106
Transfer out to Members' Savings	(24,292,505)	(23,505,906)	(24,292,505)	(23,505,906)
Transfer out to Members' Savings - 50th anniversary bonus interest	-	(6,715,973)	-	(6,715,973)
Reserve balance at 31 December	**89,579,485**	**83,042,612**	**89,579,486**	**83,042,612**

The Board has resolved to declare an additional interest of 7% (2022: 7%) of members' general savings balance as at 31 December 2023 and credited to the members' transaction accounts. This amounts to K24,292,505 (2022: K23,505,906) and was directly paid out of the Additional Interest Reserve (AIR).

29. Financial instruments and risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in market prices and interest rates. The Group monitors these financial risks and seeks to minimize the potential adverse effects on the financial performance of the Group. The Group 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 individual Group entities' Board of Directors. TISA caters for the funding of its members and invests to cater for this. The Group'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.

29.1 Credit risk
Credit risk relates to potential loss of principal and interest, disruption of cash flows and increased collection costs stemming from a borrower's failure to repay a loan. The Society manages this risk carefully by applying a strict set of criteria to financing and investments, confining its dealings to institutions of high creditworthiness and ensuring exposures to counterparties are appropriately secured. As unsecured lending grows with the

introduction of other new products to the core service become the main source of income, the Society is prepared to accept a moderate level of exposure in this area.

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:

	Group		Society	
	2023	**2022 Restated**	**2023**	**2022**
Assets bearing credit risk	**K**	**K**	**K**	**K**
Cash and cash equivalents	189,340,960	184,522,150	70,279,508	63,722,119
Interest bearing deposits	19,899,565	19,007,082	-	-
Rental and other receivables	24,353,332	28,028,364	188,853,677	159,659,544
Insurance contract Assets	40,605,801	36,817,855	-	-
Reinsurance contract assets	4,927,847	6,218,154	-	-
Government debt securities	83,225,155	65,563,291	29,970,613	31,687,608
Net Loans to members and customers	359,494,985	325,939,259	316,322,556	273,440,175
Total assets	**721,847,645**	**666,096,155**	**605,426,354**	**528,509,445**

Loans to members and customers:
The Society's policy requires all loans to be either fully or partially secured by members' savings. In cases where loans are partially secured, additional security may be deemed necessary in accordance with the Rules of the Society. As at 31 December 2023, the subsidiary, TCF, unsecured loans totalled to K44,022,861 (2022: K15,711,285).

	Group		Society	
	2023	**2022**	**2023**	**2022**
Member and customer loans	**K**	**K**	**K**	**K**
Loans backed by deposits and collaterals	302,051,725	252,986,424	286,322,792	237,305,140
Loans without deposit backing	95,217,627	89,192,603	51,194,767	48,418,034
Total assets	**397,269,352**	**342,179,027**	**337,517,559**	**285,723,174**

29. Financial instruments and risk management (continued)
29.1 Credit risk (continued)

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 Group's maximum exposure to credit risk on these assets.

	Group		Society	
	2023	2022	2023	2022
	K	K	K	K
Stage 1 - 12-month ECL	328,239,985	309,130,278	291,941,177	261,979,708
Stage 2 - Life time ECL	20,590,426	15,193,838	14,812,655	10,869,788
Stage 3 - Life time ECL	48,438,942	17,854,911	30,763,728	12,873,678
Gross carrying amount	397,269,352	342,179,027	337,517,559	285,723,174
Allowance for credit loss	(37,774,367)	(16,239,768)	(21,195,003)	(12,282,999)
Net carrying amount	**359,494,985**	**325,939,259**	**316,322,556**	**273,440,175**

The following table shows reconciliations from opening to the closing balances of the allowance for credit loss.

2023	**Group**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2023	2,843,889	1,658,856	11,737,024	16,239,768
Transfer to Stage 1	2,663,443	(2,340,991)	(322,452)	-
Transfer to Stage 2	(241,811)	841,680	(599,869)	-
Transfer to Stage 3	(378,321)	(1,177,899)	1,556,219	-
Net remeasurements	**2,043,311**	**(2,677,210)**	**633,898**	**-**
New financial assets purchased or originated	(197,828)	3,622,251	18,202,651	21,627,074
Write offs and transfers from savings	-	-	(92,475)	(92,475)
Balance as at 31 December 2023	**4,689,371**	**2,603,898**	**30,481,098**	**37,774,367**

2022	**Group**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2022	4,853,700	4,221,475	5,989,259	15,064,435
Transfer to Stage 1	4,196,582	1,918,111	429,332	6,544,024
Transfer to Stage 2	(2,874,034)	239,614	452,423	(2,181,997)
Transfer to Stage 3	950,453	(374,157)	14,292,031	14,868,328
Net remeasurements	**2,273,001**	**1,783,568**	**15,173,786**	**19,230,355**
New financial assets purchased or originated	1,278,491	359,017	556,946	2,194,454
Write offs and transfers from savings	(707,604)	(483,729)	(3,993,707)	(5,185,042)
Balance as at 31 December 2022	**2,843,888**	**1,658,856**	**11,737,025**	**16,239,768**

2023	**Society**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2023	1,979,497	978,675	9,324,827	12,282,999
Transfer to Stage 1	2,580,668	(2,305,311)	(275,357)	-
Transfer to Stage 2	(207,079)	646,189	(439,110)	-
Transfer to Stage 3	(301,939)	(594,073)	896,012	-
Net remeasurements	**(2,071,651)**	**(2,253,196)**	**181,545**	**-**
New financial assets purchased or originated	(914,630)	3,065,427	6,761,207	8,912,004
Write offs and transfers from savings	-	-	**-**	-
Balance as at 31 December 2023	**3,136,518**	**1,790,907**	**16,267,579**	**21,195,003**

29. Financial instruments and risk management (continued)

2022 **Society**

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2022	3,904,829	3,879,641	5,186,542	12,971,012
Transfer to Stage 1	3,718,345	1,875,845	379,230	5,973,420
Transfer to Stage 2	(2,809,152)	262,838	355,698	(2,190,616)
Transfer to Stage 3	691,752	(1,062,158)	10,018,488	9,648,082
Net remeasurements	**1,600,945**	**1,076,525**	**10,753,416**	**13,430,886**
New financial assets purchased or originated	846,891	326,298	479,644	1,652,833
Write offs and transfers from savings	(468,339)	(424,148)	(1,908,233)	(2,800,720)
Balance as at 31 December 2022	**1,979,497**	**978,675**	**9,324,827**	**12,282,999**

29.2 Liquidity risk

Liquidity risk relates to the Group having the potential of not meeting short term financial demands due to inability to convert securities or physical assets to cash without a loss of capital and/or income in the process. The Group can only accept a minimum level or risk which jeopardizes its short-term funding requirements.

The Group is restricted by the exchange controls of BPNG in terms of offshore investments has imposed limits on amounts that can be invested offshore). As PNG's capital market is not mature, the majority of the Group'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 Group to dispose or trade these investments.

The Group maintains a mix of investments on call and with a spread of maturity terms from 2 months to 6 months. This ensures the Group maintains liquid capability and limits its exposure to interest rate risks due to market fluctuations.

The table below summaries the maturity profile of the Group's financial assets and liabilities as at 31 December 2023 and 31 December 2022 based on contractual repayment obligations.

29.2 Liquidity risk

	Group						
	Total	At Call	0-3 months	3 mnths-1 Years	1-5 Years	More than 5 Years	Weighted Average Rate p. a
2023	**K**	**K**	**K**	**K**	**K**	**K**	**%**
Assets							
Cash and cash equivalents	189,340,960	118,549,451	70,791,509	-	-	-	1.63%
Interest bearing deposits	19,899,565	-	-	19,899,565	-	-	2.44%
Rental and other receivables	24,353,332	2,003,528	-	-	22,349,804	-	nil
Insurance contract assets	40,605,801	-	-	40,605,801	-	-	nil
Reinsurance contract assets	4,927,847	-	-	4,927,847	-	-	nil
Net loans	359,494,985	-	103,992	122,416,092	222,200,321	14,774,580	25.70%
Quoted shares	158,039,766	-	-	-	-	158,039,766	nil
Unquoted shares	33,300	-	-	-	-	33,300	nil
Government debt securities	83,225,155	-	-	-	-	83,225,155	1.63%
Total undiscounted cash inflows	879,920,711	120,552,979	70,895,501	187,849,305	244,550,125	256,072,801	
Liabilities							
Savings and deposits	(473,433,961)	-	(20,195,351)	(47,639,416)	(405,599,194)	-	4.52%
Creditors and accruals	(17,513,280)	-	-	(17,513,280)	-	-	nil
Insurance contract liabilities	(78,095,985)	-	-	(78,095,985)	-	-	nil
Reinsurance contract liabilities	(31,063,880)	-	-	(31,063,880)	-	-	nil
Employee provisions	(7,167,414)	-	-	(7,167,414)	-	-	nil
Total undiscounted cash outflows	(607,274,520)	-	(20,195,351)	(181,479,975)	(405,599,194)	-	
Net surplus/(exposure) 2023	**272,646,191**	**120,552,979**	**50,700,150**	**6,369,330**	**(161,049,069)**	**256,072,801**	

29.2 Liquidity risk (continued)

	Group Restated						
	Total	At Call	0-3 months	3 mnths-1 Years	1-5 Years	More than 5 Years	Weighted Average Rate p. a
2022	**K**	**K**	**K**	**K**	**K**	**K**	**%**
Assets							
Cash and cash equivalents	184,522,150	179,509,615	5,012,525	-	-	-	1.63%
Interest bearing deposits	19,007,082	-	-	19,007,082	-	-	2.44%
Rental and other receivables	28,028,364	3,092,802	-	15,682,805	9,252,757	-	nil
Insurance contract assets	36,817,855	-	-	36,817,855	-	-	nil
Reinsurance contract assets	6,218,154	-	-	6,218,154	-	-	nil
Net loans	325,939,257	-	94,285	110,989,616	201,459,856	13,395,502	25.70%
Quoted shares	187,753,699	-	-	-	-	187,753,699	nil
Unquoted shares	33,300	-	-	-	-	33,300	nil
Government debt securities	65,563,291	-	-	51,810,283	13,753,008	-	nil
Total undiscounted cash inflows	853,883,152	182,602,417	5,106,810	240,525,795	224,465,621	201,182,501	
Liabilities							
Savings and deposits	(461,067,597)	(143,505,906)	(5,368,822)	(159,683,821)	(152,165,622)	(343,427)	4.52%
Creditors and accruals	(14,373,235)	-	-	(14,373,235)	-	-	nil
Insurance contract liabilities	(88,347,764)	-	-	(88,347,764)	-	-	nil
Reinsurance contract liabilities	(19,721,054)	-	-	(19,721,054)	-	-	nil
Employee provisions	(8,173,343)	-	-	-	(8,173,343)	-	nil
Total undiscounted cash outflows	(591,682,993)	(143,505,906)	(5,368,822)	(282,125,874)	(160,338,965)	(343,427)	
Net surplus/(exposure) 2022	**262,200,159**	**39,096,511**	**(262,012)**	**(41,600,079)**	**64,126,656**	**200,839,074**	

	Society						
	Total	At Call	0-3 months	3 mnths-1 Years	1-5 Years	More than 5 Years	Weighted Average Rate p. a
2023	**K**	**K**	**K**	**K**	**K**	**K**	**%**
Assets							
Cash and cash equivalents	70,279,508	61,781,231	8,498,277	-	-	-	2.32%
Rental and other receivables	188,853,677	-	-	58,013,351	130,840,326	-	nil
Net Loans	316,322,556	-	-	2,678,299	313,644,257	-	17.00%
Quoted shares	133,090,265	-	-	-	-	133,090,265	nil
Government debt securities	29,970,613	-	-	-	-	29,970,613	5.92%
Total undiscounted cash inflows	738,516,619	61,781,231	8,498,277	60,691,650	444,484,583	163,060,878	
Liabilities							
Deposits & Savings*	405,599,193	24,767,984	24,292,505	48,978,987	307,559,717	-	4.67%
Creditors and accruals	86,709,602	-	-	86,709,602	-	-	6.25%
Employee provisions	4,965,147	-	-	4,965,147	-	-	
Total undiscounted cash outflows	497,273,942	24,767,984	24,292,505	140,653,736	307,559,717	-	
Net surplus/(exposure) 2023	241,242,677	37,013,247	(15,794,228)	(79,962,086)	136,924,866	163,060,878	

29.2 Liquidity risk (continued)

	Society						
	Total	**At Call**	**0-3 months**	**3 mnths-1 Years**	**1-5 Years**	**More than 5 Years**	**Weighted Average Rate p. a**
2022	**K**	**K**	**K**	**K**	**K**	**K**	**%**
Assets							
Cash and cash equivalents	63,722,119	53,709,585	10,012,534	-	-	-	2.32%
Rental and other receivables	159,659,544	-	-	41,943,787	117,715,757	-	nil
Net Loans	273,440,175	-	94,285	2,459,616	270,886,273	-	17.00%
Quoted shares	170,850,003	-	-	-	-	170,850,003	nil
Unquoted shares	-	-	-	-	-	-	nil
Government debt securities	31,687,608	-	-	13,753,008	17,934,600	-	5.92%
Total undiscounted cash inflows	699,359,449	53,709,585	10,106,819	58,156,411	406,536,630	170,850,003	
Liabilities							
Deposits & Savings*	(397,434,674)	(23,505,906)	-	(49,207,575)	(324,377,766)	(343,427)	4.67%
Creditors and accruals	(79,443,567)	-	-	(4,192,039)	(75,251,528)	-	6.25%
Employee provisions	(8,173,343)	-	-	(3,375,864)	(4,797,479)	-	nil
Total undiscounted cash outflows	(485,051,584)	(23,505,906)	-	(56,775,478)	(404,426,773)	(343,427)	
Net surplus/(exposure) 2023	**214,307,865**	**30,203,679**	**10,106,819**	**1,380,933**	**2,109,857**	**170,506,577**	

*Deposits and other borrowings comprise of client deposits & member savings. Member Savings are secured fully or partially against Loans to members (where members have taken out loans).

While member savings are at call, members are only allowed to withdraw 50% of their net savings (being any excess of member savings over loans taken out with the Society). The Society has not had a history of significant member withdrawals.

29.3 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 Society's interest-bearing financial instruments was:

	Group		**Society**	
	2023	**2022**	**2023**	**2022**
Financial assets	**K**	**K**	**K**	**K**
Treasury bills	69,246,862	51,810,283	15,992,320	17,934,600
Interest bearing deposits	19,899,565	19,007,082	-	-
Government inscribed stock	14,000,000	14,000,000	14,000,000	14,000,000
Loans to members	359,494,985	325,939,259	316,322,556	273,440,175
Total interest-bearing assets	**462,641,412**	**410,756,624**	**346,314,876**	**305,374,775**

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

29. Financial instruments and risk management (continued)

29.3 Interest rate risk (continued)

	Group		Society	
	2023	**2022**	**2023**	**2022**
Financial liabilities	**K**	**K**	**K**	**K**
Member savings	473,433,961	461,067,598	405,599,194	397,434,674
Total interest-bearing liabilities	**473,433,961**	**461,067,598**	**405,599,194**	**397,434,674**

Member Savings earn fixed interest at 2% to 6% per annum depending on the savings type. Directors evaluate the financial performance of the Society at the end of the year and declare bonus (additional) interest to members. Consequently, the interest paid to members are not directly affected by the movement of general market interest rates.

29.4 Other market price risk

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

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

a.)Sensitivity analysis:

With all other variables held constant, the Society's exposure to share price risk is measured by sensitivity analysis. The following table demonstrates the effect on profit of a 5% change in fair value on financial instruments measured at fair value:

	Group		Society	
	2023	**2022**	**2023**	**2022**
i.) Financial instruments	**K**	**K**	**K**	**K**
+ 5% change in fair value	902,950	2,515,548	1,749,590	4,602,994
- 5% change in fair value	902,950	(2,515,548)	(1,749,590)	(4,602,994)

The following table demonstrates the effect on profit of a change in capitalisation rates, rentals, and sales price of the Society's Investment properties:

	Group Effect on Profit or Loss Increase/(Decrease)		Society Effect on Profit or Loss Increase/(Decrease)	
	2023	**2022**	**2023**	**2022**
	K	**K**	**K**	**K**
Increase of 1% in capitalisation rates	(4,981,765)	(5,015,017)	-	-
10% increase in rentals	473,973	586,911	-	-
10% increase in sales prices and/or replacement costs	4,925,421	4,501,600	-	-

A decrease in any of the above unobservable inputs would have the opposite but similar effect to profit or loss.

29.5 Foreign exchange risk

The Group is exposed to foreign exchange risks arising from commercial transactions and from recognising assets, liabilities, and investments in overseas operations of one of the group's subsidiaries, CIG. The Group is exposed to both transaction and translation risk. The former is the risk that a Group's cash flows and realised profits may be impacted by movements in foreign exchange rates. The latter arises from translating the financial statements of a foreign into the Group's presentational currency.

29. Financial instruments and risk management (continued)
29.5 Foreign exchange risk (continued)

A 10% strengthening of PGK against following currency at the reporting date would decrease profit or loss by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss	
	2023	**2022**
	K	**K**
US Dollar	2,376,976	2,197,956

29.6 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;
- Member deposits are recognized at inception at fair value and subsequently at amortized cost.

The Group 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).

The table below demonstrates the Group's fair value hierarchy for financial instruments and investment assets measured at fair value:

	Group					
	2023			**2022**		
	K	**K**	**K**	**K**	**K**	**K**
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Quoted shares (Note 15.a)	158,039,766	-	-	187,753,699	-	-
Unquoted shares (Note 15.b)	-	33,000	-	-	33,000	-
Government debt securities (note 15.d)	-	14,000,000	-	-	14,000,000	-
Total	**158,039,766**	**14,033,000**	**-**	**187,753,699**	**14,033,000**	**-**

	Society					
	2023			**2022**		
	K	**K**	**K**	**K**	**K**	**K**
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Quoted shares (Note 15.a)	133,090,265	-	-	170,850,003	-	-
Unquoted shares (Note 15.b)	-	-	-	-	-	-
Government debt securities (note 15.d)	-	14,000,000	-	-	14,000,000	-
Total	**133,090,265**	**14,000,000**	**-**	**170,850,003**	**14,000,000**	**-**

There has been no observed movement in the fair value hierarchy within the group of assets. The sensitivity analysis for Investment Properties is disclosed in Note 29.4 Other Market Price Risk (a) (i)

29. Financial instruments and risk management (continued)
29.7 Capital risk management

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 is under, adequately or well capitalised and also applies the leverage ratio capital.

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 percental of general loan loss provisions. The leverage capital ratios is calculated as Tier 1 capital divided by total assets on the balance sheet.

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

The capital of the Society is represented by the net assets available to pay benefits to its members. The amount of net assets available to pay benefits to its members can change significantly as the Society receives contributions and pays benefits to members on a daily basis. The Society's objective when managing capital is to safeguard the Society's ability to continue as a going concern in order to provide returns and benefits to its members and to maintain a strong capital base to support the development of the investment activities of the Society.

In order to maintain or adjust the capital structure, the Society's policy is to monitor the level of monthly contributions income and benefits payable relative to the assets it expects to be able to liquidate and adjust the amount for investments and interest credited to the members account at the end of each reporting period. The Board members and executive management monitor capital on the basis of the value of net assets available to pay benefits.

29.8 Insurance and financial risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Underwriting risk comprises insurance risk, policyholder behaviour risk and expense risk.

- Insurance risk: the risk transferred from the policyholder to the Group, other than financial risk. Insurance risk arises from the inherent uncertainty about the occurrence, amount, or timing of claims.
- Policyholder behaviour risk: the risk that a policyholder will cancel a contract (i.e., lapse or persistency risk) earlier or later than the Group had expected in pricing the contract.
- Expense risk: the risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events).

29. Financial instruments and risk management (continued)
29.8 Insurance and financial risk (continued)

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

A key component of the management of underwriting risk is a disciplined underwriting strategy that is focused on writing quality business. Product pricing is intended to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits of the Group's total exposure to specific risks, together with limits on geographic and industry exposures.

Contracts are ordinarily renewable annually. The ability to reprice contracts on renewal in response to changes in policyholder risk profiles, claims experience and market considerations is a significant mitigant to pricing risk. Contracts may also contain other features that constrain underwriting risk – e.g. the use of deductibles and limits of liability (subject to local regulatory and legislative requirements).

The Group also mitigates these risks by purchasing excess of loss reinsurance programs against large individual claims and catastrophe losses to reduce the overall exposure for certain classes of business. Retention limits for the excess of loss reinsurance vary by product line.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The Group purchases reinsurance as part of its mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business. Non- proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Group's net exposure to catastrophe losses. Retention limits for the excess of loss reinsurance vary by product line.

Concentrations of underwriting risk

The Group monitors insurance risk in terms of IFRS 17 portfolios. An analysis of the Group's insurance and reinsurance risk concentrations per class of business and by region is provided in the following tables. The amounts in the table represent gross carrying amounts.

	2023				2022			
	Property	Liability and Motor	Medical	Life	Property	Liability and Motor	Medical	Life
Region	K	K	K	K	K	K	K	K
PNG	29,546,462	20,015,142	35,864,088	7,969,619	28,089,529	17,660,122	29,870,999	7,924,952
Fiji	11,538,011	10,935,314	4,661,962	298,080	8,529,898	9,070,492	4,397,080	230,801
Solomon Island	2,939,212	3,945,572	3,021,175	8,074	2,514,912	3,109,172	2,210,191	248,331
Vanuatu	730,465	2,422,837	297,861	5,612	476,716	2,492,516	259,481	5,642
Tonga	1,056,760	511,445	147,609	115,276	1,104,089	345,579	64,757	-
Total	**45,810,910**	**37,830,310**	**43,992,695**	**8,396,661**	**40,715,144**	**32,677,881**	**36,802,508**	**8,409,726**

29. Financial instruments and risk management (continued)
29.8 Insurance and financial risk (continued)

The Group monitors reinsurance risk by individual reinsurers. The Directors do not believe that there are significant concentrations of insurance or reinsurance risks.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Group's placement of reinsurance is diversified such that it is neither dependant on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.
arrangements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

30. Employees
The number of people employed by the Society as at 31 December 2023 is 335 (2022: 323).
The number of people employed by the Group as at 31 December 2023 is 524 (2022: 484).

31. Retirement benefits
The group total contribution remitted to a superannuation fund was K1,768,555 (2022: K1,674,075). The Society contributed a total of K1,567,455 to Nambawan Super Limited (NSL) (2022: 1,467,754). The subsidiary, TISA Community Finance Limited contributed a total of K201,100 (2022: K206,321) to National Superannuation Fund. The employer contribution rate is 12%.

32. Related parties
Member and client loans that are made to staff and directors are in accordance with the Group's policies. The total value of these loans at 31 December 2023 is K10,563,967 (2022: K 2,323,335). The interest rate, security and repayment terms on these loans are in arm's length basis and consistent with the normal terms extended to members who are neither directors nor staff.

As disclosed in Note 15.c, TISA owns 100% of the share capital in subsidiary TCF. The intercompany balance totalled K81,671,117 (2022: K68,521,306). Nil deposits (2022: K5,000,000) of TISA held with TCF.

The loan is payable within a 5-year intercompany debt settlement plan from year 2022 and does not have a provision for interest.

Between TISA and the other subsidiaries within the group, below are the intercompany balances:
-Intercompany receivable from TPL of K129,240,876 (2022: K117,720,534).
-Intercompany receivable from TIL of K9,080,932 (2022: K11,271,787)

The loans are unsecured with no provisions for interests and repayable on demand.

The Directors of the Group had an aggregate savings balance of K895,249 (2021: K729,244), and aggregate loan balance of K2,855,151 (2022: K13,543). The directors are subject to the normal lending policy requirements of the Group. Total savings by directors and staff amounted to K2,317,781 (2022: K886,969).

32.1 Key management personnel remuneration above K100,000 per annum
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:

32. Related parties (continued)
32.1 Key management personnel remuneration above K100,000 per (continued)

	Group		Society	
	2023	**2022**	**2023**	**2022**
	No.	**No.**	**No.**	**No.**
K100,000 – K149,999	5	2	-	1
K150,000 – K199,999	5	4	2	2
K200,000 – K249,999	1	2	1	1
K250,000 – K299,999	1	3	1	2
K300,000 – K349,999	4	3	2	1
K350,000 – K399,999	1	3	-	3
K400,000 – K449,999	-	1	-	-
K450,000 – K499,999	1	2	1	2
K500,000 – K549,999	2	2	1	1
K550,000 – K999,999	3	3	2	3
K1,000,000 and above	3	3	1	1
	26	28	11	17

The specified executives of the Society during the year were:

- Mr Michael Koisen – Chief Executive Officer
- Mr Luke Kaul – Chief Operating Officer
- Mr Igimu Momo – Chief Strategic Officer – resigned 1 November 2023
- Mr Samit Kumar Bhatnagar – Chief of Information Officer
- Ms Aileen Watangia – Head of Information Technology
- Mr Philip Hehonah – Head of Legal and Company Secretary
- Ms Anna Leidimo – Head of Human Resource
- Mr Geoffrey Ochieng – Head of Applications
- Ms Georgina Ahwong – Head of E-Channel
- Ms Geraldine Vilakiva – Head of Brand, Marketing & Communication
- Ms Albertha Lavi – Head of Product Management

The specified Directors of TISA during the year were:

- Mr. Gabriel Tai (Chairman)
- Mr. William Varmari
- Dr. Peter Mason
- Mr. Michael Koisen
- Mr. Simon Woolcott
- Ms. Lucy Sabo- Kelis
- Mr. Stephen Woodhouse – appointed 15 June 2023

32.2 Key management personnel remuneration

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	4,617,789			409,595	1,143,068				6,170,452
2022	6,848,764	-	-	541,434	1,410,932	-	-	-	8,801,130
Specified Directors									
2023	622,898	-	-	-	-	-	-	42,898	665,796
2022	647,993	-	-	-	-	-	-	64,200	712,193

33. Segment information
The Group operates in one segment and in different geographical locations within and outside PNG. The subsidiary, CIG has operations in Solomon Islands, Fiji, Vanuatu, and Tonga.

34. Contingencies and capital commitments
The Group has received a number of claims arising in the ordinary course of business. The Group has disclaimed liability and is defending the action. The estimated contingent liability is not deemed material for the purposes of the financial statements. The Group and Society does not have any contingent liabilities as at 31 December 2023.

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

36. Business combination
There were no business combinations during the current financial year.

On 20 June 2022 the Group acquired control over Capital Insurance Group Limited ("CIG") by acquiring an additional 27.16% interest for a consideration of K11,338,152. This increased the Group's interest in CIG from 28.96% to 56.12%. Accordingly, the Group has consolidated the assets and liabilities of CIG as at 31 December 2022 and its results from the date of acquisition.

Details of the purchase consideration, the net identifiable assets (NIA) acquired, and goodwill are as follows:

Identifiable assets and liabilities recognised at fair value

	K
	2022
Cash and bank balances	81,595,195
Term deposits	18,408,805
Premium and other receivables	35,330,434
Deferred acquisition costs	9,631,212
Investment in financial assets	18,511,226
Property and equipment	1,536,864
Intangibles assets	1,604,575
Net deferred tax assets	(246,963)
Trade and other payables	(5,934,559)
Employee provisions	(680,808)
Insurance provisions	(51,970,359)
Unearned premiums	(51,826,435)
Net identifiable assets acquired	**55,959,187**
Less 43.88% non-controlling interest at fair value of NIA	(24,711,668)
Less: Fair value of existing 28.96% interest	(19,692,993)
Add: Discount on acquisition	(216,374)
Purchase consideration	**11,338,152**

The fair values of identifiable net assets together with the fair value of the existing TISA interest have been determined internally by management.

The acquisition resulted in a bargain purchase, with a gain recognised in the income statement of K216,374. The existing carrying amount for the 28.96% interest was remeasured at fair value of K19,692,993, resulting in a gain

36. Business combination (continued)

taken in profit or loss of K6,214,809. Total acquisition gains recognised in the year were K6,431,183. The Group recognised non-controlled interests in the business combination at their proportion of the fair value of NIA.

	2022
	K
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration paid	(11,338,152)
Less: cash and bank balances acquired	(81,595,195)
Net inflow of cash - investing activities	**(70,257,043)**

Acquisition-related costs of K nil are included in operating expenses and operating cash flows.

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