

KONTIKI FINANCE LIMITED and its Subsidiary

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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KONTIKI FINANCE LIMITED and its Subsidiary

DIRECTORS REPORT

FOR THE YEAR ENDED 30 JUNE 2021

DIRECTORS REPORT

In accordance with a resolution of the Board, the Directors present their report on the entities consisting of Kontiki Finance Limited ("the Company") and its Subsidiary (collectively "the Group") as at 30 June 2021.

The historical financial information included in this Directors Report has been extracted from the audited Financial Statements accompanying this Directors Report.

Information in this Directors Report is provided to enable shareholders to make an informed assessment of the operations, financial position, performance and other aspects of the Company and the Group, and whether the Company and the Group are trading as a going concern.

Principal Activities

The principal activities of the Company during the year were that of receiving deposits and extending of credit and related services. There was no significant change in the nature of these activities during the financial year.

The Company has a Subsidiary Company incorporated in Vanuatu, Platinum Insurance Limited. The principal activity of the Subsidiary is to act as a captive insurer underwriting loan protection insurance for the Company, Kontiki Finance Limited, based in the Republic of Fiji.

The Company was listed on the South Pacific Stock Exchange on 4 July 2018.

Review and Results of Operations

The operating Group profit for the year was \$4,267,481 (2020: \$7,284,837) after allowing for an income tax expense of \$330,948 (2020: \$547,777). The operating profit of the Company for the year was \$3,867,736 (2020: \$5,830,681) after taking into account an income tax expense of \$330,948 (2020: \$547,777).

Our Values

The core values of our business are:

- Accountability
- Innovation
- Integrity
- People

Our Strategy

Our strategy is focused on driving shareholder value by providing innovative, flexible and accessible finance solutions to the consumer and small and medium enterprise segments of the market. The Group provides this through a highly experienced management team leveraging intellectual property and business intelligence proven by them in other markets.

Our Priorities This Year

Our key priorities for this year were to managing our loan portfolio within a COVID pandemic economy and preparing for the reopening of the domestic economy and restarting of international tourism, bringing Fiji back onto its growth path.

Key Statistics

Key statistics as at 30 June 2021	Group	Company
Total number of employees	153	153
Total assets	\$279,587,320	\$268,163,010
Total operating income	\$48,091,315	\$45,434,632
Net profit after tax	\$4,267,481	\$3,867,736
Earnings per share	\$0.05	

The Future

The development of new products and markets, and enhancements to existing products will continue to allow the Group to sell bundled products, win new business and/or reduce risk.

KONTIKI FINANCE LIMITED and its Subsidiary
DIRECTORS REPORT continued
FOR THE YEAR ENDED 30 JUNE 2021

Bad and Doubtful Debts

Prior to the completion of the Group's and the Company's financial statements, the Directors took reasonable steps to ascertain that action had been taken in relation to writing off of bad debts and the making of provision for expected credit losses. In the opinion of Directors, adequate provision has been made for expected credit losses.

As at the date of this report, the Group and the Company are not aware of any circumstances, which would render the amount written off for bad debts or the provision for expected credit losses in the Group and the Company, inadequate to any substantial extent.

Non-Current Assets

Prior to the completion of the financial statements of the Group and the Company, the Directors took reasonable steps to ascertain whether any non-current assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company. Where necessary these assets have been written down or adequate provision has been made to bring the values of such assets to an amount that they might be expected to realise.

As at the date of this report, the Directors are not aware of any circumstances, which would render the values attributed to non-current assets in the Group's and the Company's financial statements misleading.

Significant event - Impact of COVID-19 pandemic on the Company

The coronavirus disease (COVID-19) outbreak has developed rapidly, bringing significant health and economic impacts globally. Measures taken to contain the virus have had a significant impact on global markets and economic activity. The Fiji economy has been significantly affected by the cessation of tourist visits since March 2020, which primarily impacted the tourism and travel sectors.

On 25 April 2021, in response to the spread of COVID-19 in Viti Levu, the Government announced several measures including lockdown of certain containment areas within Viti Levu. These measures have affected the level of business activity and have impacted on incomes of many businesses and employees. In response, the Company is aiding affected customers on a case-by-case basis.

The Company continues to engage in its principal activities and the Directors and management are carefully monitoring the impact of the COVID-19 outbreak on the Company and have set in place suitable operational responses.

The Directors and management believe the Company has made sufficient provision for expected losses and has sufficient financial resources to be able to successfully manage the current business risks despite the current uncertain economic outlook.

Other Circumstances

As at the date of this report:

- (i) no charge on the assets of the Group and the Company has been given since the end of the financial year to secure the liabilities of any other person;
- (ii) no contingent liabilities have arisen since the end of the financial year for which the Group and the Company could become liable; and
- (iii) no contingent liabilities or other liabilities of the Group and the Company has become or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and the Company to meet its obligations as and when they fall due.

As at the date of this report, the Directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the Group and the Company's financial statements, which would make adherence to the existing method of valuation of assets or liabilities misleading or inappropriate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial statements) by reason of a contract made by the Group and the Company with the Director or with a firm of which he or she is a Director, or with a company in which he or she has a substantial financial interest.

KONTIKI FINANCE LIMITED and its Subsidiary
DIRECTORS REPORT continued
FOR THE YEAR ENDED 30 JUNE 2021

Basis of Accounting

The Directors believe that the basis of the preparation of the financial statements is appropriate and the Group and the Company will be able to continue its operation for at least twelve months from the date of this report. Accordingly the Directors believes the classification and carrying amounts of assets and liabilities as stated in these financial statements are appropriate.

All related party transactions have been adequately recorded in the books of the Group and the Company.

Dividends

A final dividend of 2.0 cents per share, totaling to \$1,836,324, was declared from profits for the 2020 financial year and paid in 2021 financial year. In addition, an interim dividend of 3.0 cents per share, totaling to \$2,768,226, was declared and paid during the financial year 2021.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group and the Company during the year ended 30 June 2021.

Events occurring after the end of the financial period

No matter or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group and the Company, the results of those operations, or the state of affairs of the Group and the Company in future financial periods.

Details of Directors and Executives

The Directors of the Company during the financial period and up to the date of this report were:

Daryl Tarte (Chairman)
 Francis Chung (deceased on 18 November 2020)
 Glen Craig
 Griffon Emose
 Litia Niumataiwalu
 Barry Whiteside
 Cecil Browne (appointed on 1 January 2021)
 Chirk Yam (appointed on 31 March 2021)

Details of Directors' direct and indirect shareholdings in the Company as at 30 June 2021 are shown in the table below:

Name	Position	Group	Company
Daryl Tarte	Chairman	352,582	352,582
Estate of Francis Chung	Director	978,244	978,244
Glen Craig	Director	4,541,730	4,541,730
Griffon Emose	Director	1,719,110	1,719,110
Barry Whiteside	Director	251,021	251,021
Cecil Browne	Director	250,000	250,000

Board and Committee meeting attendance

Details of the number of meetings held by the Board and its Audit Committee and its Remuneration and Nominations Committee during the period ended 30 June 2021, and attendance by Board members, are set out below:

Director	Position	Board		Audit Committee		Remuneration and Nominations Committee	
		A	B	A	B	A	B
Daryl Tarte	Chairman	6	6	4	4	-	-
Francis Chung	Member	2	2	1	1	-	-
Glen Craig	Member	6	5	-	-	6	6
Griffon Emose	Member	6	6	4	4	6	6
Litia Niumataiwalu	Member	6	6	2	2	-	-
Barry Whiteside	Member	6	6	-	-	6	6
Cecil Browne	Member	3	3	-	-	-	-
Chirk Yam	Member	1	1	-	-	-	-

Column A: number of meetings held while a member

Column B: number of meetings attended

**KONTIKI FINANCE LIMITED and its Subsidiary
DIRECTORS REPORT continued
FOR THE YEAR ENDED 30 JUNE 2021**

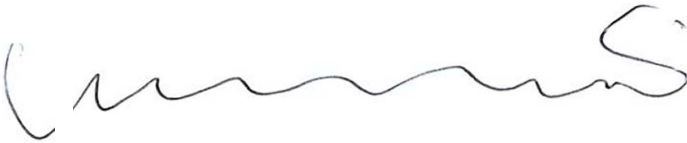
Auditor Independence

The Directors have obtained an independence declaration from the Group's auditor, Ernst & Young. A copy of the auditor's independence declaration is set out in the *Auditor's Independence Declaration to the Directors of Kontiki Finance Limited* on page 7.

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

Dated this 9th day of September 2021.

Daryl Tarte
.....
Name:



Chairman

**KONTIKI FINANCE LIMITED and its Subsidiary
DIRECTORS DECLARATION
FOR THE YEAR ENDED 30 JUNE 2021**

DIRECTORS DECLARATION

This Directors Declaration is required by the Companies Act 2015.

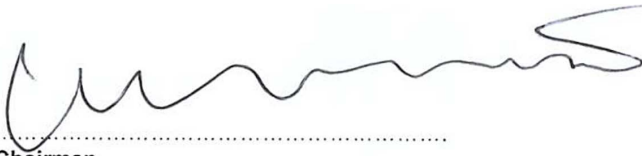
The Directors of Kontiki Finance Limited ("the Company") and its Subsidiary (collectively "the Group") have made a resolution that declared:

- a) in the Directors opinion, the financial statements and notes of the Company and the Group for the financial year ended 30 June 2021:
 - i) give a true and fair view of the financial position of the Company and the Group as at 30 June 2021 and of the performance of the Company and the Group for the year ended 30 June 2021.
 - ii) have been made out in accordance with the Companies Act 2015.
- b) they have received declarations as required by Section 395 of the Companies Act 2015.
- c) at the date of this declaration, in the Directors opinion, there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.

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

Dated this 9th day of September 2021.

Daryl Tarte
Name:


Chairman



Pacific House
Level 7
1 Butt Street Suva Fiji
PO Box 1359 Suva Fiji

Tel: +679 331 4166
ey.com

Auditor's Independence Declaration to the Directors of Kontiki Finance Limited

As lead auditor for the audit of Kontiki Finance Limited ("the Holding Company") and its subsidiary (collectively "the Group") for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Companies Act 2015 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Kontiki Finance Limited and the entities it controlled during the financial year.

Ernst & Young
Suva, Fiji

Steven Pickering
Partner
Level 7, Pacific House
1 Butt Street
Suva, Fiji

9 September 2021

Independent Audit Report

To the members of Kontiki Finance Limited

Report on the Financial Statements

Opinion

We have audited the financial statements of Kontiki Finance Limited (“the Company”) and its subsidiary company (collectively “the Group”), which comprise the statement of financial position of the Company and the Group as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information and the Directors’ Declaration.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 30 June 2021 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISA”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the *International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than the provision of assurance services in our capacity as auditor, we have no relationship with, or interest in, the Company and the Group. Partners and employees of our firm deal with the Company and the Group on normal terms within the ordinary course of trading activities of the business of the Company and the Group.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description on how our audit addressed the matters is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to the key audit matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters *continued*

Provision for credit loss

Why significant	How our audit addressed the key audit matter
<p>As described in Note 2.3 (d) Impairment of financial assets, Note 7 Receivable from customers and Note 25 Financial risk management, the provisions for expected credit losses (“ECL”) are determined under application of IFRS 9 Financial Instruments.</p> <p>This is a key audit matter as significant judgement is involved to determine the expected credit losses.</p> <p>Key areas of judgement included:</p> <ul style="list-style-type: none"> – the interpretation of the requirements to determine impairment under application of IFRS 9, which are reflected in the Company and the Group’s expected credit loss model; – the identification of exposures with a significant deterioration in credit quality; – assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors (e.g. forecast gross domestic product growth) as disclosed in Note 25 Financial risk management and Note 2.3 (d) Impairment of financial assets; – the need to apply additional overlays to reflect current or future external factors, such as the impact of COVID-19, that are not otherwise appropriately captured by the expected credit loss model; and – the impact of COVID-19 on the recoverability of receivables from customers. The Group has incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic and the associated customer support packages provided. The assessment of the estimated impact of COVID-19 requires significant judgement, especially as it is not directly comparable to any recent similar events and the impact will depend on certain unknown factors such as government measures and the spread of the virus. 	<p>In obtaining sufficient appropriate audit evidence we:</p> <ul style="list-style-type: none"> ▶ Assessed the modelling techniques and methodology used against the requirements of IFRS 9 <i>Financial Instruments</i>. ▶ Assessed and tested the design and operating effectiveness of the controls over the: <ul style="list-style-type: none"> – data used to determine the provision for credit loss, including transactional data captured at loan origination, ongoing internal credit quality assessments, storage of data in data warehouses and interfaces to the expected credit loss model; and – expected credit loss model, including model build and approval, ongoing monitoring/validation, model governance and mathematical accuracy. ▶ Assessed key modelling assumptions with a focus on the: <ul style="list-style-type: none"> – financial condition of the counterparties and expected future cashflows; – sensitivity of the collective provisions to changes in modelling assumptions; and – current changes in circumstances resulting from the impact of COVID-19 pandemic and the relief packages offered to borrowers. ▶ Examined a sample of exposures and performed procedures to evaluate the: <ul style="list-style-type: none"> – timely identification of exposures with a significant deterioration in credit quality; and – expected loss calculation for collective provisioning. ▶ Used industry knowledge and information published by regulators and other bodies, for example recently published gross domestic product growth data, to assess the impact of market and regulatory changes due to COVID-19 on the ECL model’s assumptions. In doing so we assessed whether the probability weighting assigned to customers provided with relief measures, and so who have an expected “Significant Increase in Credit Risk”, and the resultant provisioning calculated in relation to these risks was in line with the requirements of IFRS9. ▶ Involved IT specialists in areas that required specific expertise (including data reliability and the expected credit loss model). ▶ Assessed whether the financial statement disclosures appropriately reflect the Company and the Group’s exposure to credit risk and provide appropriate disclosures of the impact of COVID-19 on the overall ECL assessment.

Key Audit Matters *continued*

Estimation of insurance liabilities (Key Audit Matter for the Group only)

Why significant	How our audit addressed the key audit matter
<p>The subsidiary company has significant insurance liabilities, including a provision for reported claims by policyholders, an incurred but not reported claims reserve (“IBNR”) and an unearned premium reserves totalling to \$9,003,103 as of 30 June 2021.</p> <p>The provision for reported claims by policyholders comprises the total value of individual outstanding claims estimated by internal or external loss adjusters when a claim has been initiated. These estimates are reassessed during the various stages of the claim processing cycle and are revised based on changes in specific circumstances pertaining to each claim.</p> <p>The IBNR represents an estimate of the liability for claim-generating events that have taken place during the year but have not yet been reported to the subsidiary company as of 30 June 2021. IBNR is recorded at the reporting date based on the computations performed by an external actuary appointed by management, after considering historical claim trends, empirical data and current assumptions that may include a margin for adverse deviations.</p> <p>Specific to the current environment, COVID-19 has caused significant disruption across Fiji and Vanuatu. The assessment of the impact of COVID-19 on the estimation of insurance liabilities requires significant judgement as claims activity through the period may not be representative of future claims activity and greater judgement is required when considering the use of recent experience to determine outstanding claims liabilities.</p> <p>Judgement is also required to assess the Group’s estimation of the probability of claims arising from circumstances connected with COVID-19 including interpretation of policy wording, estimation of potential losses on a probability-weighted basis and the probable timing of emergence of potential claims.</p> <p>Due to the magnitude of the balances and the increased estimation uncertainty and subjectivity involved in the assessment of these reserves due to the COVID-19 pandemic, in particular the ultimate total settlement amount of the insurance contract liabilities, we consider this to be a key audit matter.</p> <p>The Group’s disclosures regarding policyholder liabilities are included in Notes 16 and 17 to the financial statements.</p>	<p>In obtaining sufficient appropriate audit evidence we:</p> <ul style="list-style-type: none"> ▶ Tested controls over the initiation, review and approval of the claim process across the different lines of business including the claim settlement process. ▶ Evaluated the provision for claims reported by policyholders by considering the loss reports, internal policies and the assumptions made by management. ▶ Evaluated the Group’s assessment of COVID-19 on insurance liabilities including key judgements in relation to potential claims arising from circumstances connected with the COVID-19 pandemic. ▶ Evaluated the objectivity and expertise of the actuary appointed by management. ▶ Considered the data provided by the Group to the external actuary on which the actuarial valuation was based and assessed the completeness and accuracy of this data. ▶ Involved our internal actuarial specialist to verify the computation and evaluate the methodology and assumptions used by the actuary by comparison to generally accepted industry practices. ▶ Assessed the adequacy and completeness of the disclosures in relation to policyholder liabilities considering the requirements of the accounting standards and the changes in the assumptions used to estimate and measure insurance liabilities due to the impact of the COVID-19 pandemic.

Other Information

The Directors and management are responsible for other information. The other information comprises the information in the Company and the Group's Annual Report for the year ended 30 June 2021, but does not include the financial statements and the Auditor's Report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based upon the work performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and management for the Financial Statements

The Directors and management are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as the Directors and management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors and management are responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless the Directors and management either intend to liquidate the Company and the Group to cease operations, or have no realistic alternative but to do so.

The Directors and management are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Auditor's Responsibilities for the Audit of the Financial Statements *continued*

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors and management.
- ▶ Conclude on the appropriateness of the Directors' and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the Directors and management with a statement that we have 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 our independence, and where applicable, related safeguards.

From the matters communicated with the Directors and management, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the requirements of the Banking Act 1995 and the Companies Act 2015 in all material respects, and:

- i) we have been given all information, explanations and assistance necessary for the conduct of the audit;
and
- ii) the Company and the Group has kept financial records sufficient to enable the financial statements to be prepared and audited.



Ernst & Young
Suva, Fiji



Steven Pickering
Partner
Level 7, Pacific House
1 Butt Street
Suva, Fiji

9 September 2021

KONTIKI FINANCE LIMITED and its Subsidiary
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Group		Company	
		2021	2020	2021	2020
		\$	\$	\$	\$
Revenue					
Interest revenue calculated using the effective interest method	3.1	43,641,987	42,363,735	43,437,931	41,958,807
Interest expense calculated using the effective interest method	4.1	(11,755,735)	(11,749,921)	(11,755,735)	(11,749,921)
Other interest and similar expense	4.2	(1,105,667)	(367,870)	(1,105,667)	(367,870)
Net interest income		30,780,585	30,245,944	30,576,529	29,841,016
Fee income	3.2	918,406	804,937	918,406	804,937
Premium income	16	2,353,456	2,095,908	-	-
Non-trading income	3.3	1,177,466	1,551,178	1,078,295	596,429
Net Trading Revenue		<u>35,229,913</u>	<u>34,697,967</u>	<u>32,573,230</u>	<u>31,242,382</u>
Less: Expenses					
Movements in expected credit loss	7	(14,929,717)	(9,606,350)	(14,929,717)	(9,606,350)
Personnel expenses	4.3	(7,589,965)	(8,989,867)	(7,589,965)	(8,989,867)
Depreciation of plant and equipment and right-of-use assets		(2,037,949)	(1,994,373)	(2,037,949)	(1,994,373)
Amortisation of intangible assets	14	(261,874)	(289,430)	(261,874)	(289,430)
Other operating expenses	4.4	(5,811,979)	(5,985,333)	(3,555,041)	(3,983,904)
Total operating expenses		<u>(30,631,484)</u>	<u>(26,865,353)</u>	<u>(28,374,546)</u>	<u>(24,863,924)</u>
Operating profit before tax		4,598,429	7,832,614	4,198,684	6,378,458
Income tax expense	5	(330,948)	(547,777)	(330,948)	(547,777)
Net profit after tax		<u>4,267,481</u>	<u>7,284,837</u>	<u>3,867,736</u>	<u>5,830,681</u>
Other comprehensive income		-	-	-	-
Total comprehensive income for the year, net of tax		<u>4,267,481</u>	<u>7,284,837</u>	<u>3,867,736</u>	<u>5,830,681</u>
Earnings per share	22	<u>\$0.05</u>	<u>\$0.08</u>		

The accompanying notes form an integral part of this Statement of Profit or Loss and Other Comprehensive Income.

KONTIKI FINANCE LIMITED and its Subsidiary
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Note	Group		Company	
		2021	2020	2021	2020
		\$	\$	\$	\$
Issued capital					
Balance at the beginning of the year		13,777,748	12,793,281	13,777,748	12,793,281
Issue of share capital	21	836,373	984,467	836,373	984,467
Balance at the end of the year		<u>14,614,121</u>	<u>13,777,748</u>	<u>14,614,121</u>	<u>13,777,748</u>
Retained earnings					
Balance at the beginning of the year		14,376,374	11,831,257	12,419,167	11,328,206
Net profit for the year		4,267,481	7,284,837	3,867,736	5,830,681
Dividends	21	(4,604,550)	(4,739,720)	(4,604,550)	(4,739,720)
Balance at the end of the year		<u>14,039,305</u>	<u>14,376,374</u>	<u>11,682,353</u>	<u>12,419,167</u>
Total equity		<u><u>28,653,426</u></u>	<u><u>28,154,122</u></u>	<u><u>26,296,474</u></u>	<u><u>26,196,915</u></u>

The accompanying notes form an integral part of this Statement of Changes in Equity.

KONTIKI FINANCE LIMITED and its Subsidiary
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	Group		Company	
		2021	2020	2021	2020
		\$	\$	\$	\$
ASSETS					
Cash and cash equivalents	6	42,649,575	12,245,511	41,657,026	12,227,400
Financial assets at fair value through profit or loss	9	5,803,448	6,531,238	-	-
Debt financial assets at amortised cost	8	75,273,000	77,033,000	69,938,000	71,188,000
Receivable from customers	7	139,900,325	153,733,993	139,876,591	153,648,361
Prepayments and other assets	10	6,324,403	2,660,779	6,839,824	3,040,674
Investment in subsidiary	11	-	-	215,000	215,000
Plant and equipment	13	1,764,776	2,329,647	1,764,776	2,329,647
Right-of-use assets	19	5,598,163	6,786,270	5,598,163	6,786,270
Intangible assets	14	470,332	648,592	470,332	648,592
Deferred tax asset	5	1,803,298	1,187,007	1,803,298	1,187,007
Total assets		279,587,320	263,156,037	268,163,010	251,270,951
EQUITY AND LIABILITIES					
Due to customers	12	213,322,133	213,034,175	213,322,133	213,034,175
Trade and other payables	15	2,239,928	2,058,859	2,175,673	2,425,766
Current tax liability		339,472	23,133	339,472	23,133
Employee benefit liability	18	126,916	31,285	126,916	31,285
Unearned premium	16	7,683,976	9,345,090	-	-
Provisions	17	1,319,127	949,696	-	-
Lease liabilities	19	5,902,342	6,959,677	5,902,342	6,959,677
Debt issued and other borrowed funds	20	20,000,000	2,600,000	20,000,000	2,600,000
Total liabilities		250,933,894	235,001,915	241,866,536	225,074,036
SHAREHOLDERS EQUITY					
Issued capital	21	14,614,121	13,777,748	14,614,121	13,777,748
Retained earnings		14,039,305	14,376,374	11,682,353	12,419,167
Total equity		28,653,426	28,154,122	26,296,474	26,196,915
TOTAL EQUITY AND LIABILITIES		279,587,320	263,156,037	268,163,010	251,270,951

The accompanying notes form an integral part of this Statement of Financial Position.

KONTIKI FINANCE LIMITED and its Subsidiary
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	Group		Company	
		2021	2020	2021	2020
		Inflows/ (Outflows) \$	Inflows/ (Outflows) \$	Inflows/ (Outflows) \$	Inflows/ (Outflows) \$
Operating activities					
Interest income received		42,065,917	41,343,515	41,861,862	40,938,587
Interest expense paid		(12,489,664)	(11,763,955)	(12,489,664)	(11,763,955)
Interest paid on lease liabilities		(371,738)	(353,836)	(371,738)	(353,836)
Non interest income received		1,503,087	894,066	1,503,087	894,066
Premium income received		983,736	3,264,377	-	-
Payments to suppliers and employees		(21,699,982)	(16,508,024)	(21,999,356)	(14,777,490)
Payments for claims		(1,926,010)	(544,936)	-	-
Net customer loans granted including repayments		6,881,491	(34,690,828)	6,881,490	(34,690,827)
Net term deposits received		287,958	53,658,655	287,958	53,658,655
Income taxes paid		(630,900)	(1,215,227)	(630,900)	(1,215,227)
Net cash flows from Operating Activities		14,603,895	34,083,807	15,042,739	32,689,973
Investing activities					
Acquisition of plant and equipment		(75,586)	(1,414,554)	(75,586)	(1,414,554)
Proceeds from sale of plant and equipment		147,452	84,351	147,452	84,351
Acquisition of intangible asset		(83,614)	(208,693)	(83,614)	(208,693)
Disposals/acquisition of debt financial instruments		1,760,000	(21,208,000)	1,250,000	(25,205,000)
Net proceeds from sale/acquisition of financial asset through profit or loss		1,535,769	(4,947,191)	-	-
Dividends received		67,513	53,699	700,000	500,000
Proceeds from issuance of corporate bond		17,400,000	2,600,000	17,400,000	2,600,000
Net cash flows from/(used in) Investing Activities		20,751,534	(25,040,388)	19,338,252	(23,643,896)
Financing activities					
Capital contribution from shareholders		836,373	984,467	836,373	984,467
Dividends paid		(4,604,550)	(4,739,720)	(4,604,550)	(4,739,720)
Lease payments		(1,183,188)	(1,043,750)	(1,183,188)	(1,043,750)
Net cash used in Financing Activities		(4,951,365)	(4,799,003)	(4,951,365)	(4,799,003)
Net increase in cash and cash equivalents		30,404,064	4,244,416	29,429,626	4,247,074
Cash and cash equivalents at 1 July		12,245,511	8,001,095	12,227,400	7,980,326
Cash and cash equivalents at 30 June	6	42,649,575	12,245,511	41,657,026	12,227,400

The accompanying notes form an integral part of this Statement of Cash Flows.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. CORPORATE INFORMATION

The Financial Statements of Kontiki Finance Limited ("the Company") and its Subsidiary (collectively "the Group") for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 9th September 2021. The entity owners have the power to amend the financials after issue, if applicable.

Kontiki Finance Limited is a limited liability company incorporated and domiciled in the Republic of Fiji. The principal activities of the Company are described in Note 28.

The Subsidiary, Platinum Insurance Limited is a limited liability company incorporated and domiciled in the Republic of Vanuatu. The principal activities of the Company are described in Note 28.

The Company was listed on the South Pacific Stock Exchange on 4 July 2018.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities designated at fair value through profit or loss (FVPL) which have been measured at fair value. The financial statements are presented in Fijian dollars (FJD).

Statement of compliance

The financial statements of the Group and the Company have been drawn up in accordance with the provisions of the Banking Act 1995, Fiji Companies Act 2015 and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Separate financial statements

A separate set of accounts have been prepared for the parent entity and are presented under the columns marked "Company" in the financial statements. In these separate set of accounts, the company's investment in its subsidiary is recorded at cost (less impairment, if any). Dividends from the subsidiary are recognized in the profit or loss in the financial statements when the company's right to receive the dividend is established.

Presentation of financial statements

The Group presents its statement of financial position in order of liquidity based on the Group's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 7, Note 12 and Note 25.

Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

Basis of consolidation

The Financial Statements comprise the financial statements of Kontiki Finance Limited ("the Company") and its Subsidiary as at 30 June 2021.

The Subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Financial Statements of the Subsidiary are prepared for the same reporting period as the parent Company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group and the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

2.1. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company and the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Estimations and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant task of causing a material adjustment to the carrying amount of assets and liabilities within the next financial period are discussed below:

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, assessment of significant increase in credit risk, measurement of lifetime expected credit losses and forward-looking assumptions. These estimates are driven by a number of factors, changes which can result in different levels of allowances.

The Group's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL model that are considered accounting judgements and estimates include:

- The Group's criteria for assessing if there has been a significant increase in credit risk (SICR), in which case allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs; and
- Determination of economic inputs, such as GDP, and their effect on probability of default (PD), exposure at default (EAD) and loss given default (LGD).
- Management overlay on provision for expected credit loss.

Detailed information about the judgements and estimates made by the company on management overlay is set out in Note 25.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Measurement of insurance liabilities

The insurance liability is subject to a liability adequacy test, to determine whether the liability is sufficient to meet future claims and administration costs for the remaining term of the current policies. The basis of the assessment requires judgement on future claims and future administrations costs in relation to gross unearned premiums. The measurement of insurance liabilities thus requires judgement, in particular estimates of the timing of the cash flows.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

2.2. CHANGE IN ACCOUNTING POLICY

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 July 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of Material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases.

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. This amendment had no impact on the consolidated financial statements of the Group.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currencies

The financial statements are presented in Fiji dollars (FJD), which is the Company and the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance date.

All differences are taken to the statement of profit or loss and other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates when the fair value is determined.

b) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria is met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss and other comprehensive income as incurred.

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

	<u>Rate</u>
Office equipment	20%
Furniture & fittings	20%
Motor vehicles	20%

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

c) Financial instruments

Recognition and initial measurement

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Except for loans and advances that do not have a significant financing component at initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Group measures Cash and cash equivalents, Due to customers of financial assets, Receivables from customers and Non-listed financial assets and liabilities at amortised cost.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

c) Financial instruments continued

Classification and subsequent measurement of financial assets

The financial asset is subsequently measured by one of the following methods:

- amortised cost,
- fair value through other comprehensive income (FVOCI) - debt investments,
- fair value through other comprehensive income (FVOCI) - equity investments, or
- fair value through profit or loss (FVPL)

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 fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows (business model assessment); and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI test) on the principal amount outstanding.

Financial assets measured at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- 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.

Debt instruments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments measured at fair value through other comprehensive income 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 other comprehensive income and are never reclassified to profit or loss.

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 other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

c) Financial instruments - continued

Business model assessment

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model. The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement.

The SPPI test

Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instrument due to repayments or amortization of premium/discount. Interest is defined as the consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs, and a profit margin. If the Group identifies any contractual features that could significantly modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Classification and subsequent measurement of financial liabilities

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the effective interest rate (EIR). A compound financial instrument which contains both a liability and an equity component is separated at the issue date. The Group classifies all financial liabilities as subsequently measured at amortised cost.

Deposits are accounted for at amortised cost. Interest on deposits, calculated using the effective interest rate method, is recognised as interest expense. Interest on borrowings is recognised using the effective interest rate method as interest expense.

Derecognition of financial assets

Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

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

Modifications of financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

c) Financial instruments - continued

Debt issued/dues to customers and other borrowed funds

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as liabilities under 'debt issued and other borrowed funds' or 'dues to customers', where the substance of the contractual arrangement results in the Company and Group having an obligation either to deliver cash or another financial asset for a fixed number of own equity shares. The components of compound financial instruments, that contain both liability and equity elements, are accounted for separately, with the equity component being assigned the residual amount after deducting from the instruments as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial recognition, debt issued and other borrowings are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated as at fair value through the statement of profit or loss and other comprehensive income.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised on the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through the statement of profit or loss and other comprehensive income includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through the statement of profit or loss and other comprehensive income.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised on the statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. If an existing financial liability is replaced by another from the same counter-party on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability at fair value. The difference in the respective carrying amount of the existing liability and the new liability is recognised as a gain/loss in the statement of profit or loss and other comprehensive income.

d) Impairment of financial assets

Measurement of Expected Credit Loss (ECL)

The Group records the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments in accordance with IFRS 9. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in this note.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

d) Impairment of financial assets continued

Measurement of Expected Credit Loss (ECL) continued

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are probable within the 12 months after the reporting date.

LTECLs and 12mECLs are calculated on a collective basis for both the secured and unsecured portfolios. The Group's policy for grouping financial assets measured on a collective basis is explained in this note.

The Group uses an expected credit loss approach as required under IFRS 9 to measure allowance for credit losses.

This impairment model measures credit loss allowances for financial assets using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – 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. Stage 1 financial assets also include financial assets where the credit risk has improved, and the asset has been reclassified from Stage 2. The ECL is computed using a 12 month probability of default (PD) and the estimated loss given default (LGD).
- 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 Stage also includes assets where the credit risk has improved, and the financial instrument has been reclassified from Stage 3. The ECL is computed using the lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset, and the estimated LGD.
- Stage 3 – Financial assets considered credit impaired are included in this stage. Similar to Stage 2, the credit loss allowance continues to be based on the LTECL. The ECL is computed using a 100% PD and the estimated LGD.

Calculation of expected credit loss

The ECL is calculated by measuring expected cash shortfalls, discounted by the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The key elements of the ECL calculation are outlined below:

- **PD** – The probability of default 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.
- **EAD** – The exposure at default 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 draw-downs on committed facilities, and accrued interest from missed payments.
- **LGD** – The loss given default 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 realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanics of the ECL method are summarised below:

- Stage 1 – The 12mECL is calculated as the portion of LTECL that represents the ECL that results from default events on a financial asset that are possible within the 12 months after the reporting date. The 12mECL allowance is calculated based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by the original EIR.

Stage 2 – When a financial asset has shown a significant increase in credit risk since origination the allowance is credit loss allowance is calculated using the LTECL. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2021

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

d) Impairment of financial assets *continued*

Measurement of Expected Credit Loss (ECL) *continued*

Calculation of expected credit loss *continued*

- Stage 3 – For financial assets considered credit-impaired, the lifetime expected credit losses is used for these loans. The method is similar to that for Stage 2 assets with the PD set at 100%.

Forward-looking information

The Group includes prospective information (such as GDP growth) in determining its expected credit loss. This information is sourced from publicly-available economic data and forecasts. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment.

Assessment of significant increase in credit risk (SICR)

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 expected life of the loan. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

The common assessments for SICR include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward-looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on factors such as the type of product and the characteristics of the financial instruments. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the loan has increased since initial recognition when contractual payments are more than 30 days overdue. In addition, an account is considered to have experienced a SICR when it is being provided with COVID assistance, or when it has been extended by more than 3 months. The account is then reclassified from Stage 1 to Stage 2.

Expected life

When measuring expected credit loss, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, and extension and rollover options. For revolving credit facilities, the expected life is estimated based on the period over which the Group is exposed to credit risk and how the credit losses are mitigated by management actions.

Presentation of allowance for credit losses in the statement of financial position:

Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the financial assets.

Definition of default

The Group considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganisation; and
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Group considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due.

The Group holds collateral for secured loans and may sell the collateral in the absence of default by the loan account holder. For the purposes of ECL calculations, the Group has taken the fair value of these collaterals to be \$nil and not included the fair value of the collaterals held in the calculation of ECL.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

d) Impairment of financial assets - continued

Measurement of Expected Credit Loss (ECL) - continued

Write-off policy

The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. In subsequent periods, any recoveries of amounts previously written off are disclosed as other income in the statement of profit or loss and other comprehensive income.

e) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and cash in banks that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

f) Prepayments and other assets

Prepayments and other assets include interest receivable on loans and investments, advance payments and deposits.

In the consolidation process, related party receivables from the Subsidiary such as insurance commission and dividends recorded in the Company's book of account are eliminated against corresponding payables recorded in the Subsidiary Company's general ledger.

g) Employee entitlements

Provision is made for annual leave estimated to be payable to employees at balance date on the basis of statutory and contractual requirements.

h) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when reimbursement is virtually certain. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Provision for claims payable and claims incurred but not reported (IBNR)

Outstanding claims are assessed by reviewing individual claims and making allowance for claims incurred but not reported, foreseeable events, past experience and industry trends. They are stated in the balance sheet net of any reinsurance or other recoveries.

Provision is also made for claims IBNR based on foreseeable events, past experience and industry trends. In the current year this allowance was calculated by reviewing the total Subsidiary exposure on all policies written by the Subsidiary, by the Subsidiary's Actuary. The IBNR is determined independently by the Subsidiary's Actuary Peter Davies B.Bus.Sc., FIA, FNZSA.

i) Unearned premiums

Premium revenue comprises amounts charged to policyholders and excludes taxes collected on behalf of statutory parties. The earned portion of premium received and receivable is recognised as revenue. Premium revenue is recognised as earned from the date of attachment of risk, over the period related to the insurance contract in accordance with the pattern of the risk expected under the contract. The unearned portion or premiums not earned at the reporting date is recognised in the statement of financial position as unearned premium. The provision for unearned premium is verified by the Subsidiary's Actuary Peter Davies B.Bus.Sc., FIA, FNZSA.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

j) Deferred acquisition cost and commissions income

The Company earned commission for bringing in insurance business for the Subsidiary Company up until 30 June 2018. The commission earned by the Company was recognised as income in its book of accounts. However, the related brokerage costs (costs associated with obtaining and recording insurance business) incurred by the Subsidiary are capitalised and amortised, consistent with the earning pattern of the related insurance premium for that business. In the consolidation process, the commission income recorded in the Company's books were eliminated against the related asset recorded in the Subsidiary Company's books.

k) Income tax

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Detailed disclosures are provided in Note 5.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of any unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income tax for the Subsidiary Company

In the Republic of Vanuatu, no income taxes of any kind are payable.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit or loss and other comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets for the Group are assessed to be finite which is systematically amortised over its useful life from the time that it is available for use until it is derecognised.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or expected pattern of consumption in future economic benefits embodied in the asset is accounted by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss and other comprehensive income in the expense category consistent with the function of the intangible assets.

Gain or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss and other comprehensive income when the asset is derecognised.

m) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost (inclusive of VAT where applicable) which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the entity. Amounts payable that have been denominated in foreign currencies have been translated to local currency using the rates of exchange ruling at the end of the financial period.

n) Revenue recognition

Interest income and expense

Net interest income comprises interest income and interest expense calculated using the effective interest method. Refer to Note 3.1 and Note 4.1.

In its interest income/expense calculated using the effective interest method, the Group only includes interest on those financial instruments that are set out in Note 7, Note 8, Note 12 and Note 20.

Other interest income/expense includes all financial assets/liabilities measured at FVPL, other than those held for trading, using the contractual interest rate.

Interest income/expense on all trading financial assets/liabilities is recognised as a part of the fair value change in Net trading income.

The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

For all financial instruments measured at amortised cost, interest income and expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instruments and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Company revised its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

n) Revenue recognition continued

Fee income

The Group and Company earns fee and commission income from a range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group and Company expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

Insurance administrative fee

Insurance administrative fee is brought to account on an earned basis.

Underwriting activities

Revenue from underwriting activities includes revenue derived from premiums and commissions received. Revenue from underwriting activities is recognised on completion of each month's activities.

o) Impairment of non-financials assets

The Group assesses at each reporting date, or more frequently if events or changes and circumstances indicate that the carrying value of a non financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is considered impaired and is written down to its recoverable amount.

For assets an assignment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

p) Comparative figures

Comparative figures have been amended where necessary, for changes in presentation in the current year.

q) Earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares, by the number of ordinary shares outstanding at the end of the financial year, adjusted for bonus elements in ordinary shares issued during the year. Refer to Note 22.

r) Dividends

Dividends are recognised as a liability and deducted from equity in the Group's financial statements when they are approved by the directors. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Group.

s) Segment information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environment.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

s) Segment information continued

(a) Geographical segment

The Company operates predominantly in Fiji and the Subsidiary operates in Vanuatu, therefore two geographical areas for reporting purposes. Refer to Note 31(a).

(b) Business segment

The Company and the Group operates predominantly in the financial services industry. Refer to Note 31(b).

t) Determination of fair values

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Group will classify the instruments as Level 3.
- Level 3 financial instruments – Those that include one or more unobservable inputs that is significant to the measurement as a whole.

Level 1 hierarchy of valuation is most applicable to the Group. Refer to Note 9 for details of hierarchy for valuation of financial assets at fair value through profit or loss.

u) IFRS 16 - Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The Company has lease contracts for office spaces and repossession storage yard, used in its operations. Leases of office spaces and the repossession storage yard have terms of between 1 and 9 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), discounted using the incremental borrowing rate at the commencement date.

Refer to Note 19 for the right-of-use assets and lease liabilities breakdown.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
3. REVENUE				
3.1 <u>Interest revenue calculated using the effective interest method</u>				
Debt financial assets at amortised cost	3,503,688	3,351,880	3,299,632	2,946,951
Receivables from customers	40,138,299	39,011,855	40,138,299	39,011,856
	<u>43,641,987</u>	<u>42,363,735</u>	<u>43,437,931</u>	<u>41,958,807</u>
3.2 <u>Fees Income</u>				
Fees and charges	918,406	804,937	918,406	804,937
	<u>918,406</u>	<u>804,937</u>	<u>918,406</u>	<u>804,937</u>
3.3 <u>Non-Trading Income</u>				
Unrealised gains on financial assets	731,658	1,401,050	-	-
Dividend income	67,513	53,699	700,000	500,000
Bad debts recovered	206,387	89,129	206,387	89,129
Gain on disposal of fixed assets	147,746	7,300	147,746	7,300
Insurance commission	24,162	-	24,162	-
	<u>1,177,466</u>	<u>1,551,178</u>	<u>1,078,295</u>	<u>596,429</u>
4. EXPENSES				
Included in expenses are:				
4.1 <u>Interest expense calculated using the effective interest method</u>				
Term deposits	11,755,735	11,749,921	11,755,735	11,749,921
	<u>11,755,735</u>	<u>11,749,921</u>	<u>11,755,735</u>	<u>11,749,921</u>
4.2 <u>Other interest and similar expense</u>				
Debt issued and other borrowed funds	733,929	14,034	733,929	14,034
Interest expense on lease liabilities (Note 19)	371,738	353,836	371,738	353,836
	<u>1,105,667</u>	<u>367,870</u>	<u>1,105,667</u>	<u>367,870</u>

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

	Group		Company	
	2021	2020	2021	2020
4 EXPENSES - continued	\$	\$	\$	\$
4.3 Personnel Expenses				
Salaries and wages	7,046,315	7,928,087	7,046,315	7,928,087
FNPF employer contribution	336,847	721,630	336,847	721,630
FNU Levy	71,611	84,094	71,611	84,094
Others	135,192	256,056	135,192	256,056
	<u>7,589,965</u>	<u>8,989,867</u>	<u>7,589,965</u>	<u>8,989,867</u>
4.4 Other operating expenses				
Accounting fees	87,380	84,047	79,380	79,380
Auditors remuneration	57,085	55,165	40,058	40,058
Bank charges	30,454	25,973	28,936	24,219
Directors fees and allowances	271,160	264,375	271,160	264,375
Other operating expenses	5,365,900	5,555,773	3,135,507	3,575,872
	<u>5,811,979</u>	<u>5,985,333</u>	<u>3,555,041</u>	<u>3,983,904</u>

5. INCOME TAX EXPENSE

A reconciliation between income tax expense and the product of accounting profit multiplied by the tax rate for the year ended 30 June are as follows:

Accounting profit before income tax	4,598,429	7,832,614	4,198,684	6,378,458
Prima facie income tax on the operating profit*	459,843	783,261	419,868	637,846
Other income exempted	(50,322)	(145,415)	(10,347)	-
Tax effect of non-deductible differences	(78,573)	(90,069)	(78,573)	(90,069)
Income tax expense reported in the statement of profit and loss and other comprehensive income	<u>330,948</u>	<u>547,777</u>	<u>330,948</u>	<u>547,777</u>

* The Group/Company prima facie income tax was calculated at 10% of Company's operating profit due to the Company being listed on the South Pacific Stock Exchange (SPX) in July 2018. The subsidiary company is based in the Republic of Vanuatu where no income taxes of any kind are payable.

Deferred income tax asset at 30 June relates to the following:

Allowance for impairment losses	1,714,508	1,126,051	1,714,508	1,126,051
Accelerated depreciation for book purposes	45,680	48,348	45,680	48,348
Difference between right-of-use assets and lease liabilities	30,418	17,341	30,418	17,341
Employee benefit liability	12,692	3,129	12,692	3,129
Other	-	(7,862)	-	(7,862)
	<u>1,803,298</u>	<u>1,187,007</u>	<u>1,803,298</u>	<u>1,187,007</u>

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

	Group		Company	
	2021	2020	2021	2020
6. <u>CASH AND CASH EQUIVALENTS</u>	\$	\$	\$	\$
Cash and cash equivalents consist of cash on hand and at bank. Cash and cash equivalents included in the Statements of Cash Flows comprise the following amounts on the Statement of Financial Position:				
Cash on hand	3,968	3,968	3,968	3,968
Cash at bank	2,850,110	4,870,798	1,857,561	4,852,687
Demand deposits	39,795,497	7,370,745	39,795,497	7,370,745
	<u>42,649,575</u>	<u>12,245,511</u>	<u>41,657,026</u>	<u>12,227,400</u>

7. RECEIVABLE FROM CUSTOMERS

Credit contracts	149,191,963	154,425,335	149,191,963	154,425,335
Hire purchase	9,678,426	11,326,544	9,678,426	11,326,544
Insurance premium	23,734	85,632	-	-
	<u>158,894,123</u>	<u>165,837,511</u>	<u>158,870,389</u>	<u>165,751,879</u>
Less: Interest suspense	(1,848,717)	(843,010)	(1,848,717)	(843,010)
Receivables gross carrying value	<u>157,045,406</u>	<u>164,994,501</u>	<u>157,021,672</u>	<u>164,908,869</u>
Less: Allowance for ECL	(17,145,081)	(11,260,508)	(17,145,081)	(11,260,508)
Net receivable from customers	<u>139,900,325</u>	<u>153,733,993</u>	<u>139,876,591</u>	<u>153,648,361</u>

Maturity analysis

Not longer than 3 months	1,152,733	668,235	1,128,998	582,603
Longer than 3 months but not longer than 12 months	5,575,299	4,274,318	5,575,299	4,274,318
Longer than 12 months but not longer than 5 years	112,677,091	86,680,523	112,677,091	86,680,523
Longer than 5 years	39,489,000	74,214,435	39,489,001	74,214,435
	<u>158,894,123</u>	<u>165,837,511</u>	<u>158,870,389</u>	<u>165,751,879</u>

ECL for loans and advances to customers

As at 30 June 2021, trade receivables with an initial value of \$17,145,081 (2019: \$11,260,508) were impaired and provided for. See next page for the movements in the ECL.

The following table provides information about the exposure to credit risk and ECL for receivables from customers (net of interest suspended) as at 30 June 2021 :

	Gross carrying value	Loss allowance	Expected weighted average loss	Credit Impaired
30 June 2021	\$	\$		
Stage 1	105,069,878	1,447,176	1.38%	No
Stage 2	36,730,634	2,564,826	6.98%	No
Stage 3	15,244,894	7,083,833	46.47%	Yes
	<u>157,045,406</u>	<u>11,095,835</u>	<u>7.07%</u>	
Management Overlay	-	6,049,246	3.85%	
Overall	<u>157,045,406</u>	<u>17,145,081</u>	<u>10.92%</u>	

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

7. RECEIVABLE FROM CUSTOMERS *continued*

A reconciliation of the allowance for impairment losses for receivables from customers is as follows:

	Movements in ECL	Total allowance for ECL	Reconciliation of Movement in expected credit loss
30 June 2021		\$	\$
Opening balance as at 1 July 2020	11,260,508	11,260,508	-
Loss allowance equal to 12m ECL/increase in provisions	(5,498,231)	9,392,947	9,392,947
Loss allowance equal to lifetime ECL with SICR/(write-off within the provision)	892,533	(8,792,008)	-
Loss allowance equal to lifetime ECL that are credit impaired/(write back)	4,441,025	(765,612)	(765,612)
Direct write-off	-	-	253,136
Management Overlay	6,049,246	6,049,246	6,049,246
Closing balance	17,145,081	17,145,081	14,929,717

	Gross carrying value	Loss allowance	Expected weighted average loss rate	Credit Impaired
30 June 2020	\$	\$		
Stage 1	137,580,226	6,945,406	5.05%	No
Stage 2	20,721,614	1,672,294	8.07%	No
Stage 3	6,692,661	2,642,808	39.49%	Yes
Overall	164,994,501	11,260,508	6.82%	

	Movements in ECL	Total allowance for ECL	Reconciliation of Movement in allowance for impairment losses
30 June 2020	\$	\$	\$
Opening balance as at 1 July 2019	4,244,894	4,244,894	-
Loss allowance equal to 12m ECL/increase in provisions	5,236,777	9,535,942	9,535,942
Loss allowance equal to lifetime ECL with SICR/(write-off within the provision)	570,908	(2,386,257)	-
Loss allowance equal to lifetime ECL that are credit impaired/(write back)	1,207,929	(134,071)	(134,071)
Direct write-off	-	-	204,479
Closing balance	11,260,508	11,260,508	9,606,350

Collateral security for loans and advances is mainly motor vehicles.

See Note 25 on credit risk of loans and advances, which explains how the Company manages and measures credit quality of loans and advances that are neither past due nor impaired.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
8. <u>DEBT FINANCIAL ASSETS AT AMORTISED COST</u>				
Term deposits	30,335,000	53,845,000	25,000,000	48,000,000
Government debt securities - bonds and bills	44,938,000	23,188,000	44,938,000	23,188,000
	<u>75,273,000</u>	<u>77,033,000</u>	<u>69,938,000</u>	<u>71,188,000</u>

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Quoted equity shares	<u>5,803,448</u>	<u>6,531,238</u>	<u>-</u>	<u>-</u>
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As at 30 June 2021, the Group had \$5,803,448 of equity shares. The fair value of the equity shares is determined by reference to published price quotations in an active market.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments that are carried at fair value in the financial statements.

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
30-Jun-21					
Quoted equity shares	<u>5,803,448</u>	<u>5,803,448</u>	<u>-</u>	<u>-</u>	<u>5,803,448</u>
30-Jun-20					
Quoted equity shares	<u>6,531,238</u>	<u>6,531,238</u>	<u>-</u>	<u>-</u>	<u>6,531,238</u>

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
10. <u>PREPAYMENTS AND OTHER ASSETS</u>				
Other debtors	2,159,648	2,038,396	2,159,648	2,038,396
Prepayments	4,164,755	622,383	4,414,931	716,011
Receivable from related party (Note 24)	-	-	265,245	286,267
	<u>6,324,403</u>	<u>2,660,779</u>	<u>6,839,824</u>	<u>3,040,674</u>

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
11. <u>INVESTMENT IN SUBSIDIARY</u>				
Shares in Subsidiary Company:				
- Platinum Insurance Limited	-	-	215,000	215,000
The Company holds 100% of the ordinary shares of Platinum Insurance Limited (PIL). The results of PIL have been consolidated in these financial statements.				
12. <u>DUE TO CUSTOMERS</u>				
As at year end, due to customers is as follows:				
Term deposits	213,322,133	213,034,175	213,322,133	213,034,175
<u>Sector concentration</u>				
Individuals	134,332,936	134,111,685	134,332,936	134,111,685
Private sector businesses	23,912,928	25,221,148	23,912,928	25,221,148
Public enterprises	34,275,679	31,865,322	34,275,679	31,865,322
Non-profit institutions	14,174,396	14,184,500	14,174,396	14,184,500
Non-bank financial institutions	6,596,194	7,531,520	6,596,194	7,531,520
Non-residents	30,000	120,000	30,000	120,000
	213,322,133	213,034,175	213,322,133	213,034,175
<u>Maturity analysis</u>				
Not longer than 3 months	30,191,186	24,787,419	30,191,186	24,787,419
Longer than 3 months and not longer than 12 months	76,282,753	71,344,217	76,282,753	71,344,217
Longer than 12 months and not longer than 5 years	98,708,357	108,179,985	98,708,357	108,179,985
Longer than 5 years	8,139,837	8,722,554	8,139,837	8,722,554
	213,322,133	213,034,175	213,322,133	213,034,175
13. <u>PLANT AND EQUIPMENT</u>				
<u>Furniture and fittings</u>				
<i>Cost:</i>				
At 1 July	1,157,104	802,017	1,157,104	802,017
Additions	19,801	355,087	19,801	355,087
Disposals	(3,480)	-	(3,480)	-
At 30 June	1,173,425	1,157,104	1,173,425	1,157,104
<i>Depreciation:</i>				
At 1 July	563,703	382,817	563,703	382,817
Depreciation charge for the year	189,051	180,886	189,051	180,886
Disposal	(2,204)	-	(2,204)	-
At 30 June	750,550	563,703	750,550	563,703
Net written down value as at 30 June	422,875	593,401	422,875	593,401

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
13. <u>PLANT AND EQUIPMENT</u> <i>continued</i>				
<u>Office equipment</u>				
<i>Cost:</i>				
At 1 July	1,940,763	1,418,544	1,940,763	1,418,544
Additions	55,785	596,787	55,785	596,787
Disposal	(33,908)	(74,568)	(33,908)	(74,568)
At 30 June	1,962,640	1,940,763	1,962,640	1,940,763
<i>Depreciation:</i>				
At 1 July	931,511	649,230	931,511	649,230
Depreciation charge for the year	333,645	352,371	333,645	352,371
Disposal	(23,016)	(70,090)	(23,016)	(70,090)
At 30 June	1,242,140	931,511	1,242,140	931,511
Net written down value as at 30 June	720,500	1,009,252	720,500	1,009,252
<u>Motor vehicles</u>				
<i>Cost:</i>				
At 1 July	1,301,327	972,297	1,301,327	972,297
Additions	-	462,680	-	462,680
Disposal	(320,796)	(133,650)	(320,796)	(133,650)
At 30 June	980,531	1,301,327	980,531	1,301,327
<i>Depreciation:</i>				
At 1 July	574,333	384,374	574,333	384,374
Depreciation charge for the year	201,293	243,959	201,293	243,959
Disposal	(268,730)	(54,000)	(268,730)	(54,000)
At 30 June	506,896	574,333	506,896	574,333
Net written down value as at 30 June	473,635	726,994	473,635	726,994
Work In Progress	147,766	-	147,766	-
Net book value as at 30 June	1,764,776	2,329,647	1,764,776	2,329,647
14. <u>INTANGIBLE ASSETS</u>				
<u>Software costs</u>				
<i>Cost:</i>				
At 1 July	1,515,951	1,307,258	1,515,951	1,307,258
Additions	83,614	208,693	83,614	208,693
At 30 June	1,599,565	1,515,951	1,599,565	1,515,951
<i>Amortisation and impairment:</i>				
At 1 July	867,359	577,929	867,359	577,929
Amortisation	261,874	289,430	261,874	289,430
At 30 June	1,129,233	867,359	1,129,233	867,359
Net written down value as at 30 June	470,332	648,592	470,332	648,592

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
15. <u>TRADE AND OTHER PAYABLES</u>				
Trade payables	521,610	376,586	383,107	355,167
Payable to related party (Note 24)	25,417	22,083	102,549	126,650
Accrued and other liabilities	1,692,901	1,660,190	1,690,017	1,943,949
	<u>2,239,928</u>	<u>2,058,859</u>	<u>2,175,673</u>	<u>2,425,766</u>

Terms and conditions of the above financial liabilities are as follows:

- Trade payables are non-interest bearing and are normally settled as and when due.

16. UNEARNED PREMIUM

Opening balance	9,345,090	8,362,279	-	-
Gross premiums written	1,701,838	4,808,883	-	-
Less premiums cancelled	(944,227)	(1,672,745)	-	-
Less premiums earned	<u>(2,418,725)</u>	<u>(2,153,327)</u>	-	-
	<u>7,683,976</u>	<u>9,345,090</u>	-	-
Premiums earned	2,418,725	2,153,327	-	-
Reinsurance expenses	<u>(65,269)</u>	<u>(57,419)</u>	-	-
Premium income*	<u>2,353,456</u>	<u>2,095,908</u>	-	-

*Premium income includes premium earned and net reinsurance revenue.

17. PROVISIONS

a) Outstanding claims	<u>106,422</u>	<u>26,277</u>	-	-
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Outstanding claims are based on assessments of all claims received by the Subsidiary prior to finalising the financial statements.

b) Claims incurred but not reported (IBNR)

At 1 July	923,419	251,354	-	-
Loss reserve movement	289,286	672,065	-	-
At 30 June	<u>1,212,705</u>	<u>923,419</u>	-	-
Actuarial Revision				
Total provisions as at 30 June	<u>1,319,127</u>	<u>949,696</u>	-	-

COVID-19 impact on insurance liabilities

The Group's insurance portfolio has experienced some impact as a result of COVID-19. The risk introduced by the outbreak of COVID-19 has affected claims provisions. There is a risk that the COVID-19 virus, on the economic consequences of responses to the virus and related economic factors could be more severe than estimated and, as a result the development of the claims over time could result in future claims being higher than the current outstanding claims liability established.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

17. PROVISIONS *continued*

COVID-19 impact on insurance liabilities *continued*

In establishing the impact of COVID-19 on claim's liabilities, significant management and actuarial judgement has been applied to derive a reasonable estimate of potential future cash flows. Key areas of judgement related to the estimation of potential monetary loss, related key macroeconomic variables (such as unemployment), reinsurance coverage and legal risk. The Group assesses the impact of COVID-19 on the insurance liabilities by conducting liability adequacy test of insurance liabilities (net of related deferred acquisition costs) by considering factors such as reported claims, IBNR, future claims and handling expenses.

The group will continue to monitor developments closely and determine whether these will have major impact on the accounting of the insurance liabilities.

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
18. <u>EMPLOYEE BENEFIT LIABILITY</u>				
Annual leave	126,916	31,285	126,916	31,285

19. LEASES

Company as a lessee

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

As at 1 July 2020	6,786,270	5,726,325	6,786,270	5,726,325
Additions	125,853	2,277,102	125,853	2,277,102
Depreciation expense	(1,313,960)	(1,217,157)	(1,313,960)	(1,217,157)
As at 30 June 2021	<u>5,598,163</u>	<u>6,786,270</u>	<u>5,598,163</u>	<u>6,786,270</u>

Set out below are the carrying amounts of lease liabilities and the movements during the period:

As at 1 July 2020	6,959,677	5,726,325	6,959,677	5,726,325
Additions	125,853	2,277,102	125,853	2,277,102
Accretion of interest	371,738	353,836	371,738	353,836
Payments	(1,554,926)	(1,397,586)	(1,554,926)	(1,397,586)
As at 30 June 2021	<u>5,902,342</u>	<u>6,959,677</u>	<u>5,902,342</u>	<u>6,959,677</u>

The following are the amounts recognised in profit or loss:

Depreciation expense of right-of-use assets	1,313,960	1,217,157	1,313,960	1,217,157
Interest expense on lease liabilities	371,738	353,836	371,738	353,836
Total amount recognised in profit or loss	<u>1,685,698</u>	<u>1,570,993</u>	<u>1,685,698</u>	<u>1,570,993</u>

The Company had total cash outflows for leases of \$1,554,926 in 2021. The Company had non-cash additions to right-of-use assets and lease liabilities of \$Nil during the financial period.

The ROU asset is amortised over the term of each leased asset.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
20. <u>DEBT ISSUED AND OTHER BORROWED FUNDS</u>				
Tier 2 Capital Bond	20,000,000	2,600,000	20,000,000	2,600,000

As at 30 June 2021, Kontiki Finance Limited had issued \$20 million worth of Tier 2 Capital Bonds with an average interest rate of 6.88% per annum, payable quarterly. The bonds have a term of 7 years and are repaid in equal annual installments over the last 5 years of the Term of the Bond (20% of the Principal amount each year from year 3 to year 7). The company had held two Bond issues, the first issue was for a total of \$10 million which closed on 14 August 2020. The second issue was for a total of \$10 million which closed on 30 June 2021. \$2.6 million was issued in the financial year ending 30 June 2020 and \$17.4 million was issued in the financial year ending 30 June 2021.

21. SHARE CAPITAL

Issued and paid up capital

Ordinary shares fully paid	14,614,121	13,777,748	14,614,121	13,777,748
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During the year, the Company raised share capital totaling to \$836,373 (2020: \$984,467). The total number of shares at the end of the year was 92,753,105 (2020: 91,816,200). The Group has a Dividend Reinvestment Plan. Under the Plan shareholders may elect to reinvest all or part of their dividend in additional ordinary shares to be issued by the Company. The dividend reinvestment price is set at a five percent discount to the weighted average price of KFL shares traded on the SPX over the 30 days preceding the dividend announcement. A final dividend of 2.0 cents per share, totaling to \$1,836,324, was declared from profits for the 2020 financial year and paid in 2021 financial year. In addition, an interim dividend of 3.0 cents per share, totaling to \$2,768,226, was declared and paid during the financial year 2021.

22. EARNINGS PER SHARE

Profit attributable to ordinary shares for basic earnings	4,267,481	7,284,837
Weighted average ordinary shares at end of financial year	91,794,533	90,835,960
Basic earnings per share (\$)	\$ 0.05	\$ 0.08

23. COMMITMENTS AND CONTINGENT LIABILITIES

a) Contingent liabilities	Nil	Nil
b) Capital commitments	1,756,733	1,984,740

Capital expenditure commitment of \$1,756,733 is budgeted for the purchase of IT hardware and software, office furniture, fittings and equipment for the company.

24. RELATED PARTY TRANSACTIONS

(a) **Directors**

The names of persons who were directors of Kontiki Finance Limited at the date of this report are as follows:

Daryl Tarte (Chairman)
 Glen Craig
 Griffon Emose
 Litia Niumataiwalu
 Barry Whiteside
 Cecil Browne (appointed on 1 January 2021)
 Chirk Yam (appointed on 31 March 2021)

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

24. RELATED PARTY TRANSACTIONS *continued*

		Company	
		2021	2020
(b) <u>Owing by/(to) related parties</u>	<u>Transaction type</u>		
- Platinum Insurance Limited	Insurance premiums	(77,132)	(104,567)
- Platinum Insurance Limited	Insurance claims	265,245	286,267
- Directors	Directors fees	(25,417)	(22,083)
 (c) <u>Other related party transactions were as follows:</u>			
<i>Expenses</i>			
- Kontiki Stockbroking Pte Limited	Referral and broking fee	22,383	21,649
- Kontiki Capital Pte Limited	Advisory and managerial services	21,314	47,408
- Compensation of key management personnel	Directors fees and other benefits	271,160	264,375
	Short term employee benefits	1,974,440	2,224,587
 <i>Income</i>			
- Platinum Insurance Limited	Dividend	700,000	500,000

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group and Company's activities but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. This process of risk management is critical to the Group and the Company's profitability and each individual within the Group and Company is accountable for the risk exposures relating to their responsibilities. The Group and Company is exposed to credit risk, liquidity risk and operational risk in the main. The Asset and Liability Committee (ALCO) has oversight of liquidity risk, the Board has oversight of credit risk, and the Board Audit Committee has oversight of all other risks.

The main risk arising from the Group's financial statements are credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk

Credit risk is the risk that the Group and Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group and Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

Credit risk is managed through credit verification procedures. Loan receivable balances are monitored on an ongoing basis. The credit quality of customer accounts which are neither past due nor impaired is classified to be good and are expected to be recovered.

The Company has established an account review process to provide early identification of possible changes in the creditworthiness on customers. The credit quality review process allows the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Counterparty limits for liquidity placements are established using credit agency risk ratings. Below also shows maximum exposure to credit risk of the financial assets at the end of reporting period.

	Group		Company	
	2021	2020	2021	2020
Cash and cash equivalents	42,649,575	12,245,511	41,657,026	12,227,400
Receivable from customers	139,900,325	153,733,993	139,876,591	153,648,361
Debt financial assets at amortised cost	75,273,000	77,033,000	69,938,000	71,188,000
Prepayments and other assets	6,324,403	2,660,779	6,839,824	3,040,674
Financial assets at fair value through profit or loss	5,803,448	6,531,238	-	-
	<u>269,950,751</u>	<u>252,204,521</u>	<u>258,311,441</u>	<u>240,104,435</u>

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk continued

Impairment assessment

Definition of default and cure

The Group and Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Group and Company also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Group and Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- The borrower is in default or near default;
- The borrower requested emergency funding from the Company;
- The borrower has past due liabilities to public creditors or employees;
- The borrower is deceased;
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral;
- A material decrease in the borrower's turnover or the loss of a major customer;
- A covenant breach not waived by the Company; and
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection

It is the Group and the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

The level of provision maintained varies according to the classification of loans in accordance with the current arrears position of the accounts. Provisions may be adjusted where there are any known difficulties in the cash flows of the customers, or infringement of the original terms of the contract.

Individually assessed allowances

The Company and the Group determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the customer's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the reliable value of collateral and the timing of cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require careful attention.

Collectively assessed allowance

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

COVID-19 impact on the Expected Credit Loss (ECL) model

The impact of COVID-19 on the repayment of receivables from customers was considered. While the methodologies and assumptions applied in the base expected credit loss (ECL) calculations remained unchanged from those applied in the prior financial year, the Group has incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic and the associated customer support packages provided. In the process, the model inputs, including forward-looking information, together with the determination of the staging of exposures were revised. Whilst no material repayment issues have been identified, there is a risk that the economic impacts of COVID-19 could be deeper or more prolonged than anticipated, which could result in higher credit losses than those modelled.

In estimating probability default (PD), loss rates and ECL, the Group considered the effect of customer support and relief packages offered such as holiday repayments on the ECL model, and assisted accounts were classified into Stage 2 of the ECL model. Extensions to credit contracts were carefully assessed to confirm if there was an indication of significant increase in credit risk (SICR) and, when coupled with other reasonable and supportable information, these related loans were classified into Stage 2 of the ECL model. Loans with contract extensions determined to be credit impaired were classified into Stage 3 of the ECL model.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

Credit risk *continued*

Impairment assessment *continued*

COVID-19 impact on the Expected Credit loss (ECL) model *continued*

The Group performed multiple ECL assessments using varying macroeconomic scenarios in the assessment of ECL and updated the GDP forecast (a key forward looking macroeconomic factor in the ECL model) based on most recent announcements to reflect current changes in the economic circumstances and subsequently calculated and measured the expected credit loss.

In summary, the expected effects of COVID-19 pandemic were incorporated into the ECL by identifying the changes in default probability based on observable data. The aforementioned directly affected the default probability.

Given the economic uncertainty surrounding the impact of coronavirus and the lack of reliable data to model the impact on the loan book as well as operational and timing challenges in incorporating the latest available macroeconomic inputs into the ECL models, the Group has included overlays and post-model adjustments in their ECL provision.

As uncertainties in economic conditions may persist, considering the continued spread of COVID-19 and countermeasures taken by Governments and other regulators, actual results in future periods could differ materially from the ECL estimates.

At 30 June 2021, \$6,049,246 of the credit loss allowance relates to the increase in the allowance for credit losses recognized as a result of the significant uncertainty as a consequence of the second wave of COVID-19 pandemic. Considerations included the potential severity and duration of the economic disruption, potential masking of the underlying delinquency by moratoria given to customers affected by the pandemic, and the heightened credit risk of specific sectors and loan classes / segments, and assumptions used by RBF to forecast future GDP growth.

Information about the Group and the Company's exposure to credit risk and ECL for receivables as at 30 June 2021 is set out in Note 7. The summary of the Group and the Company's exposure to credit risk is as follow:

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Stage 1 - not credit impaired and no SICR*	105,069,878	137,580,226	105,046,144	137,494,594
Stage 2 - SICR but not credit impaired	36,730,634	20,721,614	36,730,634	20,721,614
Stage 3 - Credit impaired	15,244,894	6,692,661	15,244,894	6,692,661
Gross Credit Exposure	157,045,406	164,994,501	157,021,672	164,908,869
Less: allowance for ECL/impairment losses	(17,145,081)	(11,260,508)	(17,145,081)	(11,260,508)
Net Credit Exposure	139,900,325	153,733,993	139,876,591	153,648,361

*Stage 1 for Group includes insurance premium receivable of \$23,734 (2020: \$85,632).

Credit risk concentration

Credit risk concentration is determined based on the industry for which the loan is given. An analysis of concentrations of credit risk from loans and advances is shown below:

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Individuals	138,960,434	150,198,772	138,960,434	150,198,772
Professional and business services	9,145,018	5,145,426	9,145,018	5,145,426
Agriculture	2,392,613	2,216,162	2,392,613	2,216,162
Building and construction	1,883,373	1,626,679	1,883,373	1,626,679
Transport, communication and storage	6,488,951	6,564,840	6,488,951	6,564,840
	158,870,389	165,751,879	158,870,389	165,751,879
Insurance premium receivable	23,734	85,632	-	-
	158,894,123	165,837,511	158,870,389	165,751,879

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk continued

Credit risk concentration continued

The principal risk the subsidiary company 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. Therefore, the objective of the subsidiary company is to ensure that sufficient reserves are available to cover these liabilities. The subsidiary company manages this risk by having reinsurance placed with counterparties that have a good credit rating that are subject to regular reviews. The concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy. There has not been material differences between the actual claims compared with estimates recorded in the accounts.

Liquidity risk

Liquidity risk is the risk that the Group and Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management aims to match the maturity profile of its term deposit base so as to as closely as possible match that of the loan portfolio. Management also manages liquidity placements so as to ensure adequate liquidity at all times. Cash flows and liquidity are monitored on a daily basis. This incorporates an assessment of expected cash flows and the availability of maturing liquidity placements to provide additional funding if required.

Maturity analysis of financial assets and liabilities

The table below shows the financial assets and liabilities analysed according to when they are expected to be recovered or settled. With regard to loans and advances to customers, the Group and Company uses the same basis of expected repayment behavior that was used for estimating the EIR.

30 June 2021

ASSETS	Less than 3 months	3 -12 months	12 months - 5 years	More than 5 Years	Total
Cash and cash equivalents	42,649,575	-	-	-	42,649,575
Financial assets at fair value through profit or loss	5,803,448	-	-	-	5,803,448
Debt financial assets at amortised cost	27,335,000	20,500,000	4,550,000	22,888,000	75,273,000
Receivable from customers	1,152,733	5,575,299	112,677,091	39,489,000	158,894,123
EQUITY AND LIABILITIES					
Due to customers	30,191,186	76,282,753	98,708,357	8,139,837	213,322,133
Trade and other payables	2,239,928	-	-	-	2,239,928
Employee benefit liability	126,916	-	-	-	126,916
Unearned premium	580,694	1,628,282	5,352,829	122,171	7,683,976
Debt issued and other borrowed funds	-	-	12,520,000	7,480,000	20,000,000
Lease liabilities	318,843	941,510	3,540,261	1,101,728	5,902,342

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

Maturity analysis of financial assets and liabilities continued

30 June 2020

ASSETS	Less than 3 months	3 -12 months	12 months - 5 years	More than 5 Years	Total
Cash and cash equivalents	12,245,511	-	-	-	12,245,511
Financial assets at fair value through profit or loss	6,531,238	-	-	-	6,531,238
Debt financial assets at amortised cost	37,800,000	14,345,000	6,400,000	18,488,000	77,033,000
Receivable from customers	668,235	4,274,318	86,680,523	74,214,435	165,837,511
EQUITY AND LIABILITIES					
Due to customers	24,787,419	71,344,217	108,179,985	8,722,554	213,034,175
Trade and other payables	2,058,859	-	-	-	2,058,859
Employee benefit liability	31,285	-	-	-	31,285
Unearned premium	2,870	199,255	4,890,114	4,252,851	9,345,090
Debt issued and other borrowed funds	-	-	1,560,000	1,040,000	2,600,000

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud and external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial crisis. The Group cannot expect to eliminate all operational risk, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including use of internal audit.

26. CAPITAL MANAGEMENT

The primary objectives of the Group and the Company's capital management policy are to maintain adequate capital to ensure compliance with regulatory capital requirements, to support the growth of its business, and to maximise shareholder value.

The Group and the Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group and the Company may adjust the dividend paid to shareholders, raise capital, or return capital to shareholders.

Capital management is under constant review by the Board.

Regulatory capital

	Company	
	2021	2020
Tier 1	24,483,111	22,070,254
Tier 2	15,391,850	8,275,263
Total capital	39,874,961	30,345,517
Risk weighted assets	181,262,783	187,687,113
Tier 1 capital ratio	14%	12%
Total capital ratio	22%	16%

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

26 CAPITAL MANAGEMENT *continued*

Under its license conditions with the Reserve Bank of Fiji (RBF), the Company is required to maintain a minimum of 15% of risk weighted assets in total capital at any point in time.

Regulatory capital consists of Tier 1 capital, which comprises of share capital, retained earnings less deferred tax asset and intangible assets. The other component of regulatory capital is Tier 2 capital, which is made up of unaudited current year profit, Tier 2 Capital Bonds and credit loss reserve less deferred tax asset or 1.25% of risk weighted assets (whichever is lesser).

27. Significant event - Impact of COVID-19 pandemic on the Company

The coronavirus disease (COVID-19) outbreak has developed rapidly, bringing significant health and economic impacts globally. Measures taken to contain the virus have had a significant impact on global markets and economic activity. The Fiji economy has been significantly affected by the cessation of tourist visits since March 2020, which primarily impacted the tourism and travel sectors.

On 25 April 2021, in response to the spread of COVID-19 in Viti Levu, the Government announced several measures including lockdown of certain containment areas within Viti Levu. These measures have affected the level of business activity and have impacted on incomes of many businesses and employees. In response, the Company is aiding affected customers on a case-by-case basis.

The Company continues to engage in its principal activities and the Directors and management are carefully monitoring the impact of the COVID-19 outbreak on the Company and have set in place suitable operational responses.

The Directors and management believe the Company has made sufficient provision for expected losses and has sufficient financial resources to be able to successfully manage the current business risks despite the current uncertain economic outlook.

28. PRINCIPAL BUSINESS ACTIVITY

The principal activities of the Group during the year were that of receiving deposits and extending of credit and related services. There was no significant change in the nature of this activity during the financial period.

The Company has a Subsidiary Company in Vanuatu, Platinum Insurance Limited. The principal activity of the Subsidiary is to act as a captive insurer underwriting loan protection insurance for its parent Company, Kontiki Finance Limited, based in the Republic of Fiji.

29. COMPANY DETAILS

Registered office

Level 5 Tappoo City Building
GPO Box 12508
Suva

The Company is a limited liability Company domiciled and incorporated in the Republic of Fiji.

The Company is listed on the South Pacific Stock Exchange.

Places of business

The places of business are located at: Suva, Lautoka and Labasa.

Number of employees at the end of the year

	2021	2020
Executive	4	4
Finance	24	27
Products and distribution	50	78
Lending and compliance	67	57
Other	8	8
	153	174
	153	174

All employees are employed by the Company and the Subsidiary does not have any employees.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

30. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

30. STANDARDS ISSUED BUT NOT YET EFFECTIVE *continued*

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

31. SEGMENT INFORMATION

The Directors have examined the Group’s performance both from a business and a geographic perspective and have identified two reportable segments of its business:

- Finance business located in Fiji, receiving deposits and extending of credit and related services; and
- Captive insurance business located in Vanuatu, underwriting of loan protection insurance for the finance business.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

31. SEGMENT INFORMATION *continued*

(a) Geographic Segments

The Group operates in the geographical segments of Fiji and Vanuatu and the activities are mentioned in Note 32.

2021 Revenue	Fiji \$	Vanuatu \$	Inter Segment \$	Total \$
Interest revenue calculated using the effective interest method	43,437,931	204,056	-	43,641,987
Interest expense calculated using the effective interest method	(11,755,735)	-	-	(11,755,735)
Other Interest and similar expense	(1,105,667)			(1,105,667)
Net interest income	30,576,529	204,056	-	30,780,585
Fee income	918,406	-	-	918,406
Premium income	-	2,353,456	-	2,353,456
Non-trading income	1,078,295	99,171	-	1,177,466
Total revenue	32,573,230	2,656,683	-	35,229,913
Less: expenses				
Movements in expected credit loss	(14,929,717)	-	-	(14,929,717)
Personnel Expenses	(7,589,965)	-	-	(7,589,965)
Depreciation of property, plant and equipment	(2,037,949)	-	-	(2,037,949)
Amortisation of intangible assets	(261,874)	-	-	(261,874)
Other operating expenses	(3,555,041)	(1,680,973)	(575,965)	(5,811,979)
Total operating expenses	(28,374,546)	(1,680,973)	(575,965)	(30,631,484)
Operating profit before tax	4,198,684	975,710	(575,965)	4,598,429
Profit before tax				
Income tax expense	(330,948)	-	-	(330,948)
Net profit after tax	3,867,736	975,710	(575,965)	4,267,481
Total assets	268,163,010	12,615,508	(1,191,198)	279,587,320
Total liabilities	241,866,536	9,878,788	(811,430)	250,933,894
Cash flows from operating activities	15,042,739	(438,844)	-	14,603,895
Cash flows from investing activities	19,338,252	1,413,282	-	20,751,534
Cash flows used in financing activities	(4,951,365)	-	-	(4,951,365)

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

31. SEGMENT INFORMATION *continued*

2020 Revenue	Fiji \$	Vanuatu \$	Inter Segment \$	Total \$
Interest revenue calculated using the effective interest method	41,958,807	404,928	-	42,363,735
Interest expense calculated using the effective interest method	(11,749,921)	-	-	(11,749,921)
Net interest income	(367,870)			(367,870)
Fee income	804,937	-	-	804,937
Premium income	-	2,095,908	-	2,095,908
Non-trading income	596,429	954,749	-	1,551,178
Total revenue	31,242,382	3,455,585	-	34,697,967
Less: expenses				
Movements in allowance for impairment losses	(9,606,350)	-	-	(9,606,350)
Personnel Expenses	(8,989,867)	-	-	(8,989,867)
Depreciation of property, plant and equipment	(1,994,373)	-	-	(1,994,373)
Amortisation of intangible assets	(289,430)	-	-	(289,430)
Other operating expenses	(3,983,904)	(2,072,397)	70,968	(5,985,333)
Total operating expenses	(24,863,924)	(2,072,397)	70,968	(26,865,353)
Operating profit before tax	6,378,458	1,383,188	70,968	7,832,614
Profit before tax				
Income tax expense	(547,777)	-	-	(547,777)
Net profit after tax	5,830,681	1,383,188	70,968	7,284,837
Total assets	251,270,951	12,235,418	(350,332)	263,156,037
Total liabilities	225,074,036	9,774,411	153,468	235,001,915
Cash flows from operating activities	32,689,973	1,393,834	-	34,083,807
Cash flows from investing activities	(23,643,896)	(1,396,492)	-	(25,040,388)
Cash flows used financing activities	(4,799,003)	-	-	(4,799,003)

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

31. SEGMENT INFORMATION *continued*

(b) Business Segment

The following summary describes the operations of each business segment.

Business segments

Finance
Insurance

Operations

Receiving deposits and extending of credit and related services
Underwriting of loan protection insurance

The geographical and business segment information is the same for 2021 and 2020 as per Note 31a.

32. Events occurring after the end of the financial period

No matter or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group and the Company, the results of those operations, or the state of affairs of the Group and the Company in future financial periods.