KONTIKI FINANCE LIMITED and its Subsidiaries

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Contents

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 Subsidiaries (collectively "the Group") as at 30 June 2023.

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 three subsidiaries as follows:

Platinum Insurance Limited, a company incorporated in Vanuatu. 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.

Insurance Holdings (Pacific) Pte Limited, a company incorporated in Fiji. The principal activity of this subsidiary in the course of the financial year was insurance broking.

Veritas Pte Limited, a company incorporated in Fiji. The principal business activity of this subsidiary in the course of the financial year were consultancy and claim management services.

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

Review and Results of Operations

The operating Group net profit for the year was $13,933,598 (2022: $7,216,936) after allowing for group income tax expense of $719,671 (2022: $661,826). The operating net profit of the Company for the year was $11,955,984 (2022: $6,184,329) after taking into account an income tax expense of $600,087 (2022: $661,826).

Our Values

The core values of our business are:

- Professionalism
- Integrity
- Respect
- Ethics
- Excellence

Our Strategy

To be a leading financial services group providing diverse finance, investment, and insurance solutions to customers and superior returns to shareholders, bondholders, and other investors.

Our Priorities This Year

Our key priorities this year were to deliver higher interest income growth from the portfolio as the economy normalised after the pandemic, to deliver occupancy expense savings through purchasing and occupying our own premises and diversifying the business income streams through acquisition of insurance broker Insurance Holdings (Pacific) Pte Limited, and claims manager Veritas Pte Limited.

Key Statistics

Key statistics as at 30 June 2023	Group	Company
Total number of employees	205	182
Total assets	$295,397,112	$275,806,795
Total operating income	$48,717,778	$45,171,476
Net profit after tax	$13,846,085	$11,890,479
Total comprehensive income for the year, net of tax	$13,933,598	$11,955,984
Earnings per share	$0.15	

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.

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 - Acquisition of Insurance Holdings (Pacific) Pte Ltd (IHL) and Veritas Pte Limited (Veritas)

On 31 March 2023, KFL completed the purchase of 100% of the outstanding share capital of Insurance Holdings (Pacific) Pte Limited (IHL) and Veritas Pte Limited (Veritas).

IHL is an insurance broking business founded in 2006. IHL currently has the WTW and Arthur J. Gallagher global agency agreements for Fiji. With this transaction, these agency agreements has transferred to the Group’s ownership after settlement.

Veritas is an insurance claims outsource processing business. Veritas is contracted to provide claim management to the Accident Compensation Commission, Fiji (ACCF).

In June 2023, the Government of Fiji announced its 2023-2024 National Budget which included a revision to the corporate tax rates. The income tax rates was raised from 10% to 15% for the company and from 20% to 25% for the Fiji based non listed subsidiaries which affected deferred tax balances recorded in the current year as well as the financial results, tax payable and deferred balances in the subsequent financial year.

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.

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 3.5 cents per share, totaling to $3,254,464, was declared from profits for the 2022 financial year and paid in 2023 financial year. In addition, an interim dividend of 1.5 cents and 2.0 cents per share, totaling to $3,251,362, was declared and paid during the 2023 financial year.

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 2023.

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:

Barry Whiteside (Chairman)
Daryl Tarte (resigned on 01 February 2023)
Glen Craig
Griffon Emose
Litia Niumataiwalu (deceased on 19 June 2023)
Chirk Yam

Details of Directors and Executives *continued*

Details of Directors' direct and indirect shareholdings in the Company as at 30 June 2023 are shown in the table below:

Name	Position	Group	Company
Barry Whiteside	Chairman	276,552	276,552
Daryl Tarte (resigned on 01 February 2023)	Director	352,582	352,582
Glen Craig	Director	4,541,730	4,541,730
Griffon Emose	Director	1,719,110	1,719,110

Board and Committee meeting attendance

Details of the number of meetings held by the Board and its Audit and Risk Committee and its Remuneration and Nominations Committee during the period ended 30 June 2023, and attendance by Board members, are set out below:

Director	Position	Board		Audit and Risk Committee		Remuneration and Nominations Committee	
		A	B	A	B	A	B
Barry Whiteside	Chairman	8	8	-	-	5	5
Daryl Tarte (resigned on 01 February 2023)	Member	5	5	-	-	2	2
Glen Craig	Member	8	8	5	4	-	-
Griffon Emose	Member	8	8	-	-	5	5
Litia Niumataiwalu (deceased on 19 June 2023)	Member	8	8	5	5	5	5
Chirk Yam	Member	8	8	5	5	-	-

Column A: number of meetings held while a member
Column B: number of meetings attended

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 8.

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

Dated this 8th day of September 2023.

Barry Whiteside
....
Name:

....
Chairman

DIRECTORS DECLARATION

This Directors Declaration is required by the Companies Act 2015.

The Directors of Kontiki Finance Limited ("the Company") and its Subsidiaries (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 2023:

   i) give a true and fair view of the financial position of the Company and of the Group as at 30 June 2023 and the performance of the Company and of the Group for the year ended 30 June 2023;

   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; and

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 8th day of September 2023.

Barry Whiteside
....
Name:

....
Chairman

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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 subsidiaries (collectively "the Group") for the financial year ended 30 June 2023, 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

Ernst & Young
Chartered Accountants

Minay Prasad
Partner
Suva, Fiji

8 September 2023

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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 subsidiaries (collectively "the Group"), which comprise the statement of financial position of the Company and the Group as at 30 June 2023, 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.

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 2023 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 or the Group. Partners and employees of our firm deal with the Company or the Group on normal terms within the ordinary course of trading activities of the business of the Company or 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 matters below, provide the basis for our audit opinion on the accompanying financial statements.

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Key Audit Matters *continued*

Provision for credit loss (Key Audit Matter for the Company and Group)

Why significant	How our audit addressed the key audit matter
As described in Note 2.3 (d) Impairment of financial assets, Note 7 Receivable from customers and Note 26 Financial risk management, the provisions for expected credit losses ("ECL") are determined under application of IFRS 9 Financial Instruments. This is a key audit matter as significant judgement is involved to determine the expected credit losses. Key areas of judgement included: - 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 26 Financial risk management and Note 2.3 (d) Impairment of financial assets; and - the need to apply additional overlays to reflect current or future external factors that are not otherwise appropriately captured by the expected credit loss model.	In obtaining sufficient appropriate audit evidence we: ▶ Assessed the modelling techniques and methodology used against the requirements of IFRS 9 *Financial Instruments*. ▶ Assessed and tested the design and operating effectiveness of the controls over the: – 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: – financial condition of the counterparties and expected future cashflows; and – sensitivity of the collective provisions to changes in modelling assumptions. ▶ Examined a sample of exposures and performed procedures to evaluate the: – 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 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 IFRS 9. ▶ 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.

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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
A 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 reserve totalling to $10,047,846 as of 30 June 2023. 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. 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 2023. 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. Due to the magnitude of the balances and the increased estimation uncertainty and subjectivity involved in the assessment of these reserves, in particular the ultimate total settlement amount of the insurance contract liabilities, we consider this to be a key audit matter. The Group's disclosures regarding policyholder liabilities are included in Notes 16 and 17 to the financial statements.	In obtaining sufficient appropriate audit evidence we: ▶ Tested controls over the initiation, review, approval and settlement of claims across the different lines of business. ▶ Evaluated the provision for claims reported by policyholders by considering the loss reports, internal policies and the assumptions made by management. ▶ Evaluated the competence, 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 assess the computation by, and evaluate the methodology and assumptions used by, the external 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 relevant accounting standards.

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Key Audit Matters *continued*

Valuation of goodwill (Key Audit Matter for the Group only)

Why significant	How our audit addressed the key audit matter
As detailed in note 14, the consolidated Financial Statements include $1,335,332 of goodwill as at 30 June 2023. In accordance with the requirements of IAS 36 Impairment of Assets, the Group performs an annual impairment assessment of goodwill to determine whether the its carrying amount exceeds its recoverable amount. The recoverable amount of goodwill was estimated by calculating the value in use of the Cash Generating Units (CGU) to which the goodwill is allocated. A value in use model requires input of several key assumptions and judgements, including estimates of future cash flow forecasts, terminal growth rates and discount rates. There is uncertainty in estimating the recoverable amount of goodwill as changes in certain assumptions can lead to significant changes in the assessment of the recoverable amount. We considered valuation of goodwill as a key audit matter due to the combination of the significance of the goodwill balance and the level of judgment, estimation and key assumptions involved in the impairment assessment process.	In obtaining sufficient appropriate audit evidence we: ▶ Assessed the appropriateness of the Group's accounting policies for measurement of goodwill. ▶ Assessed the design and implementation and tested the operating effectiveness of the Group's controls in relation to their impairment assessment. ▶ Assess the key assumptions used in the value in use calculation. Further, we assessed the reasonableness of key management assumptions in respect of estimated future cash flows, terminal growth rates and discount rates. ▶ Compared forecasts to historical experience and considered them in light of our understanding of the prospects of the business from internal and external sources. ▶ Performed a sensitivity analysis, which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on the currently estimated headroom for the respective CGUs. ▶ Assessed the accuracy and completeness of the information produced by management, which was used as the basis of the impairment assessment. ▶ Checked mathematical accuracy of the models used by management. ▶ Considered the adequacy of the Group's related disclosures in line with the requirements of relevant accounting standards.

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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 2023 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.

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

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

- 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 controls.

- Obtain an understanding of internal controls 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 controls.

- 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.

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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

Ernst & Young
Chartered Accountants

Minay Prasad
Partner
Suva, Fiji

8 September 2023

KONTIKI FINANCE LIMITED and its Subsidiaries
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Revenue					
Interest revenue calculated using the effective interest method	3.1	34,529,552	36,935,314	34,281,072	36,745,018
Interest expense calculated using the effective interest method	4.1	(7,617,743)	(9,222,177)	(7,617,743)	(9,222,177)
Other interest and similar expense	4.2	(1,672,246)	(1,498,479)	(1,626,220)	(1,486,106)
Net interest income		25,239,563	26,214,658	25,037,109	26,036,735
Fee income	3.3	1,571,324	1,023,587	772,577	1,023,587
Net gains/(losses) on financial assets at fair value through profit or loss	3.2	4,997,434	-	4,882,525	-
Premium income	16	2,110,552	2,151,399	-	-
Non-trading income	3.4	5,508,916	1,519,357	5,235,302	1,083,395
Net trading revenue		39,427,789	30,909,001	35,927,513	28,143,717
Less: Expenses					
Movements in expected credit loss	7	(8,063,203)	(6,586,086)	(8,063,203)	(6,586,086)
Personnel expenses	4.3	(9,430,839)	(8,280,286)	(9,150,028)	(8,280,286)
Depreciation of plant and equipment and right-of-use assets		(1,735,651)	(2,112,936)	(1,654,539)	(2,092,308)
Amortisation of intangible assets	14	(180,493)	(215,209)	(180,493)	(215,209)
Other operating expenses	4.4	(5,451,847)	(5,835,722)	(4,388,684)	(4,123,673)
Total operating expenses		(24,862,033)	(23,030,239)	(23,436,947)	(21,297,562)
Operating profit before tax		14,565,756	7,878,762	12,490,566	6,846,155
Income tax expense	5	(719,671)	(661,826)	(600,087)	(661,826)
Net profit after tax		13,846,085	7,216,936	11,890,479	6,184,329
Other comprehensive income					
Net gain on debt instruments at fair value through other comprehensive income:		87,513	-	65,505	-
Total comprehensive income for the year, net of tax		13,933,598	7,216,936	11,955,984	6,184,329
Earnings per share	23	$0.15	$0.08		

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

KONTIKI FINANCE LIMITED and its Subsidiaries
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Group		Company	
		2023	2022	2023	2022
		$	$	$	$
Issued capital					
Balance at the beginning of the year		14,870,626	14,614,121	14,870,626	14,614,121
Issue of share capital	22	633,275	256,505	633,275	256,505
Share buy-back		(443,323)	-	(443,323)	-
Balance at the end of the year		15,060,578	14,870,626	15,060,578	14,870,626
Retained earnings					
Balance at the beginning of the year		18,471,788	14,039,305	15,082,229	11,682,353
Net profit for the year		13,846,085	7,216,936	11,890,479	6,184,329
Dividends	22	(6,505,826)	(2,784,453)	(6,505,826)	(2,784,453)
Balance at the end of the year		25,812,047	18,471,788	20,466,882	15,082,229
Fair value reserve					
Net change in fair value of debt instrument at FVOCI		87,513	-	65,505	-
Total equity		40,960,138	33,342,414	35,592,965	29,952,855

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

KONTIKI FINANCE LIMITED and its Subsidiaries
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
ASSETS					
Cash and cash equivalents	6	70,468,847	26,078,924	68,559,828	25,839,768
Financial assets at fair value through profit or loss	9	8,510,533	6,022,541	-	-
Debt financial assets at amortised cost	8	37,626,852	69,028,000	34,400,000	63,738,000
Financial assets held for trading	21	6,037,513	-	5,065,505	-
Receivable from customers	7	151,285,000	128,928,889	145,892,096	128,926,391
Prepayments and other assets	10	2,694,610	3,586,853	4,663,683	3,455,708
Investment in subsidiary	11	-	-	1,263,286	215,000
Property, plant and equipment	13	12,154,040	3,067,429	11,760,965	3,067,429
Right-of-use assets	19	3,737,000	3,564,141	2,665,243	3,170,323
Intangible assets and goodwill	14	1,577,737	386,104	242,405	386,104
Current tax asset		243,464	31,869	275,537	31,869
Deferred tax asset	5	1,061,516	1,050,096	1,018,247	1,050,096
Total assets		295,397,112	241,744,846	275,806,795	229,880,688
EQUITY AND LIABILITIES					
Due to customers	12	212,307,378	174,166,341	212,307,378	174,166,341
Trade and other payables	15	8,075,574	1,796,985	5,145,622	2,147,815
Employee benefit liability	18	222,224	178,189	194,175	178,189
Unearned premium	16	9,062,696	7,112,609	-	-
Lease liabilities	19	4,193,952	3,843,553	2,976,655	3,435,488
Debt issued and other borrowed funds	20	19,590,000	20,000,000	19,590,000	20,000,000
Provisions	17	985,150	1,304,755	-	-
Total liabilities		254,436,974	208,402,432	240,213,830	199,927,833
SHAREHOLDERS EQUITY					
Issued capital	22	15,060,578	14,870,626	15,060,578	14,870,626
Retained earnings		25,812,047	18,471,788	20,466,882	15,082,229
Fair value reserve		87,513	-	65,505	-
Total equity		40,960,138	33,342,414	35,592,965	29,952,855
TOTAL EQUITY AND LIABILITIES		295,397,112	241,744,846	275,806,795	229,880,688

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

KONTIKI FINANCE LIMITED and its Subsidiaries
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	Group 2023 Inflows/ (Outflows) $	Group 2022 Inflows/ (Outflows) $	Company 2023 Inflows/ (Outflows) $	Company 2022 Inflows/ (Outflows) $
Operating activities					
Interest income received		33,754,194	35,494,373	33,505,714	35,304,077
Interest expense paid		(8,990,559)	(10,597,177)	(8,990,559)	(10,597,177)
Interest paid on lease liabilities		(299,430)	(123,479)	(253,404)	(111,106)
Non interest income received		4,809,951	3,160,288	4,007,880	3,160,288
Premium income received		4,120,968	1,279,333	-	-
Payments to suppliers and employees		(24,668,859)	(23,867,110)	(22,602,130)	(22,877,823)
Payments for claims		(1,029,263)	(1,458,012)	-	-
Net customer loans repayments including granted		(12,372,546)	18,753,408	(12,372,546)	18,753,408
Net term deposits (received)/redeemed		38,141,038	(39,155,792)	38,141,038	(39,155,792)
Income taxes paid		(265,700)	(291,057)	(265,700)	(291,057)
Net cash flows from/(used in) Operating Activities		33,199,794	(16,805,225)	31,170,293	(15,815,182)
Investing activities					
Acquisition of property plant and equipment		(5,356,225)	(2,141,423)	(5,254,018)	(2,141,423)
Proceeds from sale of plant and equipment		4,529	20,249	4,529	20,249
Acquisition of intangible asset		(4,682,630)	(130,981)	(4,682,630)	(130,981)
Proceeds from sale debt financial instruments		52,185,434	-	48,070,525	-
Placement of term deposits/disposals of debt financial instruments		(20,784,286)	6,245,000	(18,682,525)	6,200,000
Acquisition of/net proceeds from sale financial asset through profit or loss		(322,962)	116,757	-	-
Dividends received		123,258	89,994	2,000,000	-
Payments for corporate bond		(410,000)	-	(410,000)	-
Acquisition of subsidiaries, net of cash acquired		(2,596,937)	-	(2,596,937)	-
Net cash flows from Investing Activities		18,160,181	4,199,596	18,448,944	3,947,845
Financing activities					
Capital contribution from shareholders		633,275	256,505	633,275	256,505
Dividends paid		(6,505,826)	(2,784,453)	(6,505,826)	(2,784,453)
Lease payments		(654,178)	(1,437,074)	(583,303)	(1,421,973)
Share buy-back		(443,323)	-	(443,323)	-
Net cash used in Financing Activities		(6,970,052)	(3,965,022)	(6,899,177)	(3,949,921)
Net increase/(decrease) in cash and cash equivalents		44,389,923	(16,570,651)	42,720,060	(15,817,258)
Cash and cash equivalents at 1 July		26,078,924	42,649,575	25,839,768	41,657,026
Cash and cash equivalents at 30 June	6	70,468,847	26,078,924	68,559,828	25,839,768

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

1. CORPORATE INFORMATION

The Financial Statements of Kontiki Finance Limited ("the Company") and its Subsidiaries (collectively "the Group") for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the Directors on 8th September 2023. 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 activity of the Company are described in Note 29.

The Subsidiary, Platinum Insurance Limited is a limited liability company incorporated and domiciled in the Republic of Vanuatu. The principal activity of the Company are described in Note 29.

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 subsidiaries is recorded at cost (less impairment, if any). Dividends from the subsidiaries 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 26.

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 Subsidiaries as at 30 June 2023.

The Subsidiaries are 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 Subsidiaries 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.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *continued*

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.

2.1. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company and the Group's financial statements require 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 risk 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.
- Determination of economic inputs, such as GDP, and their effect on probability of default (PD), exposure at default (EAD) and loss given default (LGD); and
- Management overlay on provision for expected credit loss.

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 administrative costs for the remaining term of the current policies. The basis of the assessment requires judgement on future claims and administrative 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.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

2.2. CHANGE IN ACCOUNTING POLICY

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first-time certain standards and amendments, which became or were effective for annual periods beginning on or after 1 July 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

An onerous contract is a contract under which the unavoidability of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). 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.

Prior to the application of the amendments, the Group had not identified any contracts as being onerous as the unavoidability of costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts. As a result of the amendments, certain other directly related costs have been included by the Group in determining the costs of fulfilling the contracts.

This amendment had no impact on the consolidated financial statements of the Group.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations 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 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

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

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time Adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

2.2. CHANGE IN ACCOUNTING POLICY

NEW AND AMENDED STANDARDS AND INTERPRETATIONS *continued*

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

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. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Group 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 date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group’s financial instruments during the period.

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. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:
• Separate the insurance coverage component and apply IFRS 17 to it; and
• Apply other applicable standards (such as IFRS 9, IFRS 15 Revenue from Contracts with Customers or IAS 37 Provisions, Contingent Liabilities and Contingent Assets) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder’s obligation created by the contract: Issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

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.

IFRS 17 Insurance Contracts has not been adopted early. This standard provides consistent principles for all aspects of accounting for insurance contracts and becomes effective for annual periods commencing on or after 1 January 2023. The Company expects to apply the premium allocation approach. This approach will have no impact to the Liability for Remaining Cover. However, this approach would require an additional allowance for non-financial risk and an allowance for claim management expenses. Both of which will need to be added to determine the Liability for Incurred Claims. This will require a re-statement of opening equity at the date of transition of 30 June 2022, and at 30 June 2023 when comparatives are included in the 30 June 2024 financial statements prepare under IFRS 17. The impact to the opening equity is calculated to amount to $253,000.

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) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria is met. Likewise, when a major renovation is performed, its cost is recognised in the carrying amount of the property 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 Group's asset as follows:

	Rate
Office equipment	15%-40%
Furniture & fittings	7%-20%
Motor vehicles	18%-24%
Building	2.5%
Leasehold land	Term of lease

An item of property, 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.

Building on leasehold land is depreciated using the straight-line method over their estimated useful lives or the remaining period of the lease whichever is shorter. Freehold land is not depreciated.

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.

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.

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.

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.

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.

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

c) Financial instruments *continued*

Financial liabilities

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.

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.

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.

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

d) Impairment of financial assets *continued*

Measurement of Expected Credit Loss (ECL) continued

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.
- 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%.

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

d) Impairment of financial assets *continued*

Calculation of expected credit loss continued

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 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.

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.

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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 Subsidiaries 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.

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.

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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 Companies

In the Republic of Vanuatu, no income taxes of any kind are payable. Veritas Pte Limited and Insurance Holdings (Pacific) Pte Limited income tax rate are calculated at 20%.

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

l) 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 for 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.

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 23.

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.

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

s) Segment information *continued*

(a) Geographical segment

The Company operates predominantly in Fiji and one of the subsidiaries operates in Vanuatu, therefore two geographical areas for reporting purposes. Refer to Note 32(a).

(b) Business segment

The Company and the Group operates predominantly in the financial and insurance services industry. Refer to Note 32(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 Group 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 Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Group 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 Group 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 Groups obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

At the commencement date of the lease, the Group 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.

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

v) Financial assets or financial liabilities held for trading

The Group classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value.

w) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

w) Business combinations and goodwill *continued*

For impairment testing goodwill acquired through business combinations and licences with indefinite useful lives are allocated to the Veritas Pte Limited (Veritas) and Insurance Holdings (Pacific) Pte Limited (IHL) CGUs, which are also operating and reportable segments.

Goodwill of $1,089,393 was recorded upon acquisition of IHL ($648,373) and Veritas ($441,020) by the Group. Prior to acquisition IHL had goodwill of $245,939 that was a result of a business combination in 2015. Total goodwill for IHL is $894,312.

Carrying amount of goodwill allocated to each of the CGUs are as follows:

	Veritas		IHL	
	2023	**2022**	**2023**	**2022**
Goodwill	441,020	-	894,312	-

x) Business combinations and acquisition of non-controlling interests

Acquisitions in 2023

Acquisition of Insurance Holdings (Pacific) Pte Limited and Veritas Pte Limited

On 31 March 2023, the Group completed the purchase of 100% of the outstanding share capital of Insurance Holdings (Pacific) Pte Limited (IHL) and Veritas Pte Limited (Veritas).

IHL is an insurance broking business founded in 2006. IHL currently have the WTW and Arthur J. Gallagher global agency agreements for Fiji. With this transaction, these agency agreements have transferred to the Group's ownership after settlement.

Veritas is an insurance claims outsource processing business. Veritas is contracted to provide claim management to the Accident Compensation Commission, Fiji (ACCF).

The Group has elected to measure the acquired companies at fair value.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Insurance Holdings (Pacific) Pte Limited and Veritas Pte Limited as at the date of acquisition were:

	Fair value recognised on acquisition		
	IHL	**Veritas**	**Total**
Assets			
Cash and cash equivalents	857,220	169,839	1,027,059
Trade receivables	2,462,376	-	2,462,376
Property, plant and equipment	121,656	22,652	144,308
Right-of-use assets	610,142	52,524	662,666
Deferred tax asset	46,680	73,919	120,599
Other assets	93,959	29,441	123,400
Intangible assets	245,939	-	245,939
	4,437,972	**348,375**	**4,786,347**
Liabilities			
Trade payables	2,328,091	-	2,328,091
Lease liabilities	708,381	56,903	765,284
Other liabilities	138,794	46,634	185,428
	3,175,266	**103,537**	**3,278,803**
Total identifiable net assets at fair value	**1,262,706**	**244,838**	**1,507,544**
Goodwill arising on acquisition	648,373	441,020	1,089,393
Purchase consideration transferred	**1,911,079**	**685,858**	**2,596,937**

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

x) Business combinations and acquisition of non-controlling interests *continued*

The fair value of the trade receivables amounts to $2,462,376. The gross amount of trade receivables is $2,462,376 and it is expected that the full contractual amounts can be collected.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

The deferred tax asset mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets.

The intangible assets of $245,939 comprises of goodwill that arose from acquisition of Insurance Holdings (Fiji) Limited business by Insurance Holdings (Pacific) Pte Limited. Based on the Company's testing of goodwill and the carrying value of intangible assets, no impairment was recorded.

The fair value of the interest in the acquirees has been estimated by applying a discounted earnings technique. The fair value estimate is based on:

For Veritas:
• Valuation of Veritas is based on the Present Value (PV) of 5 years Net Profit After Tax (NPAT) plus a
• Discount Rate of 15%
• A terminal value calculated based on long-term sustainable growth rate for the company estimated to be 3% which has been used to determine income for the future years.

For IHL:
• Valuation of IHL is based on the Present Value (PV) of 5 years Net Profit After Tax (NPAT) plus a
• Terminal Value (TV), long term growth rate for the TV is 3%,
• Discount rate used is 15%.

Total consideration paid for IHL and Veritas amounted to $2,596,937. There is an escrow arrangement in place between the Group and the Vendors of IHL. Amount of $350,000 is held in escrow with a solicitor and will be released to the Vendors on 31 March 2024 on the condition that there is no loss in IHL booked renewal income for a period of 12 months from the acquisition date.

From the date of acquisition, Insurance Holdings (Pacific) Pte Limited contributed $597,249 of revenue and $243,065 to profit before tax from continuing operations of the Group.

Veritas Pte Limited contributed $225,768 of revenue and $113,268 to profit before tax from continuing operations of the Group.

In determining the recoverable amount of the CGUs, a long-term growth rate of 3.0%, a discount rate of 15.0% and probability-weighted outcomes was applied to forecasted earnings.

y) Share buyback

A share buyback is a corporate action where a company buys back its own shares from the existing shareholders, either through a tender offer or through the open market. The company may do this to reduce the number of shares outstanding, increase earnings per share, return excess cash to shareholders, or support the share price. The shares that are bought back are either cancelled or held in the company's treasury.

During the financial year, the subsidiary companies, IHL and Veritas repurchased a portion of their outstanding shares (IHL: $1,249,384, Veritas: $299,267) from Kontiki Finance. This decision was made to maximize shareholder value and enable IHL and Veritas to adjust their capital structure by reducing equity and increasing leverage for a more efficient capital structure.

The group announced the buy-back of shares under the Selective Buy-Back Program as approved at KFL's AGM held on 27th October 2022. During the financial year, amount of $443,323 of shares was bought back by the group under the selective buy-back program.

		Group		Company	
		2023	2022	2023	2022
3.	**REVENUE**	**$**	**$**	**$**	**$**
3.1	**Interest revenue calculated using the effective interest method**				
	Debt financial assets at amortised cost	3,767,807	3,389,167	3,519,327	3,198,871
	Receivables from customers	30,761,745	33,546,147	30,761,745	33,546,147
		34,529,552	36,935,314	34,281,072	36,745,018
3.2	**Net gains/(losses) on financial assets at fair value through profit or loss**				
	Sale of financial assets	52,185,434	-	48,070,525	-
	Debt financial assets at amortised cost	(47,188,000)	-	(43,188,000)	-
		4,997,434	-	4,882,525	-
3.3	**Fees Income**				
	Brokerage income	597,249	-	-	-
	Service income	225,768	-	-	-
	Other fees and charges	748,307	1,023,587	772,577	1,023,587
		1,571,324	1,023,587	772,577	1,023,587
3.4	**Non-Trading Income**				
	Unrealised gains on financial assets	2,147,031	345,968	-	-
	Dividend income	123,258	89,994	2,000,000	-
	Bad debts recovered	3,225,120	1,053,306	3,225,120	1,053,306
	Gain on disposal of fixed assets	-	12,450	-	12,450
	Insurance commission	10,182	17,639	10,182	17,639
	Rental income	3,325	-	-	-
		5,508,916	1,519,357	5,235,302	1,083,395

	Group 2023	Group 2022	Company 2023	Company 2022
	$	$	$	$

4. EXPENSES

Included in expenses are:

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
4.1 Interest expense calculated using the effective interest method				
Term deposits	7,617,743	9,222,177	7,617,743	9,222,177
	7,617,743	9,222,177	7,617,743	9,222,177
4.2 Other interest and similar expense				
Debt issued and other borrowed funds	1,372,816	1,375,000	1,372,816	1,375,000
Interest expense on lease liabilities (Note 19)	299,430	123,479	253,404	111,106
	1,672,246	1,498,479	1,626,220	1,486,106
4.3 Personnel Expenses				
Salaries and wages	8,566,463	7,673,956	8,296,925	7,673,956
FNPF employer contribution	561,658	417,207	544,376	417,207
FNU Levy	88,200	75,225	87,248	75,225
Others	214,518	113,898	221,479	113,898
	9,430,839	8,280,286	9,150,028	8,280,286
4.4 Other operating expenses				
Accounting fees	63,484	36,842	71,484	36,842
Auditors remuneration	92,400	60,375	54,338	42,263
Bank charges	31,334	30,823	28,258	28,794
Directors fees and allowances	253,153	301,667	253,153	301,667
Other operating expenses	5,011,476	5,406,015	3,981,451	3,714,107
	5,451,847	5,835,722	4,388,684	4,123,673

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:

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Accounting profit before income tax	14,565,756	7,878,762	12,490,566	6,846,155
Prima facie income tax on the operating profit*	1,302,957	787,876	1,255,607	684,616
Under provision from prior year caused by variation in permanent differences	30	-	30	-
Tax effect of items treated as permanent differences - current year	(150,564)	(113,963)	(224,282)	(10,703)
Change in tax rate	(339,416)	-	(339,416)	-
Tax losses utilised	(91,377)	-	(91,377)	-
Others	(1,959)	(12,087)	(475)	(12,087)
Income tax expense reported in the statement of profit and loss and other comprehensive income	719,671	661,826	600,087	661,826

5. INCOME TAX EXPENSE *continued*

* The Company prima facie income tax was calculated at 10% of the Company's operating profit. A subsidiary company in based in the Republic of Vanuatu where no income taxes of any kind are payable. The income tax of Insurance Holdings (Pacific) Pte Limited and Veritas Pte Limited income tax was calculated at 20%.

	Group		Company	
	2023	2022	2023	2022
	$	$	$	$
Deferred income tax asset at 30 June relates to the following:				
Allowance for impairment losses	883,642	959,828	883,642	959,828
Accelerated depreciation for book purposes	76,445	45,932	68,592	45,932
Difference between right-of-use assets and lease liabilities	73,260	26,517	46,712	26,517
Employee benefit liability	36,140	17,819	29,127	17,819
Unrealised exchange loss	1,855	-	-	-
Financial assets held for trading	(9,826)	-	(9,826)	-
	1,061,516	1,050,096	1,018,247	1,050,096

6. CASH AND CASH EQUIVALENTS

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:

	Group 2023	Group 2022	Company 2023	Company 2022
Cash on hand	15,824	14,268	14,024	14,268
Cash at bank	15,084,394	1,668,997	13,177,175	1,429,841
Demand deposits	55,368,629	24,395,659	55,368,629	24,395,659
	70,468,847	26,078,924	68,559,828	25,839,768

7. RECEIVABLE FROM CUSTOMERS

	Group 2023	Group 2022	Company 2023	Company 2022
Credit contracts	149,364,646	133,333,381	149,364,646	133,333,381
Hire purchase	3,124,881	6,783,600	3,124,881	6,783,600
Insurance premium	416,865	2,498	-	-
Trade receivables	4,976,039	-	-	-
	157,882,431	140,119,479	152,489,527	140,116,981
Less: Interest suspense	(706,481)	(1,592,301)	(706,481)	(1,592,301)
Receivables gross carrying value	157,175,950	138,527,178	151,783,046	138,524,680
Less: Allowance for ECL	(5,890,950)	(9,598,289)	(5,890,950)	(9,598,289)
Net receivable from customers	151,285,000	128,928,889	145,892,096	128,926,391

Maturity analysis

	Group 2023	Group 2022	Company 2023	Company 2022
Not longer than 3 months	5,996,416	1,593,357	1,405,384	1,590,859
Longer than 3 months but not longer than 12 months	6,482,493	7,760,520	6,332,432	7,760,520
Longer than 12 months but not longer than 5 years	63,219,996	91,852,548	62,568,185	91,852,548
Longer than 5 years	82,183,526	38,913,054	82,183,526	38,913,054
	157,882,431	140,119,479	152,489,527	140,116,981

7. RECEIVABLE FROM CUSTOMERS *continued*

ECL for loans and advances to customers

As at 30 June 2023, trade receivables with an initial value of $5,890,950 (2022: $9,598,289) were impaired and provided for. Movements in the ECL is detailed below.

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 2023 :

30 June 2023	Gross carrying value	Loss allowance	Expected weighted average loss	Credit Impaired
	$	$		
Stage 1	133,675,845	911,000	0.68%	No
Stage 2	16,021,045	1,514,790	9.45%	No
Stage 3	7,479,059	3,465,160	46.33%	Yes
	157,175,950	**5,890,950**	**3.75%**	
Overall	**157,175,950**	**5,890,950**	**3.75%**	

No management overlay was taken in the 2023 financial year as the economic outlook is expected to be positive with the domestic economy recovering due to the re-opening of the country to international visitors.

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

30 June 2023	Movements in ECL	Total allowance for ECL	Reconciliation of movement in expected credit loss
		$	$
Opening balance as at 1 July 2022	9,598,289	9,598,289	-
Loss allowance equal to 12m ECL/increase in provisions	(178,148)	7,965,586	7,965,587
Loss allowance equal to lifetime ECL with SICR/(write-off within the provision)	(126,136)	(11,343,310)	-
Loss allowance equal to lifetime ECL that are credit impaired/(write back)	(3,403,055)	(329,615)	(329,616)
Direct write-off	-	-	427,232
Closing balance	5,890,950	5,890,950	8,063,203

30 June 2022	Gross carrying value	Loss allowance	Expected weighted average loss rate	Credit Impaired
	$	$		
Stage 1	102,492,238	1,089,148	1.06%	No
Stage 2	23,390,628	1,640,926	7.02%	No
Stage 3	12,644,312	6,868,215	54.32%	Yes
Overall	**138,527,178**	**9,598,289**	**6.93%**	
	138,527,178	**9,598,289**	**6.93%**	

7. RECEIVABLE FROM CUSTOMERS *continued*

ECL for loans and advances to customers *continued*

30 June 2022	Movements in ECL	Total allowance for ECL	Reconciliation of movement in expected credit loss
	$	$	$
Opening balance as at 1 July 2021	17,145,081	17,145,081	-
Loss allowance equal to 12m ECL/increase in provisions	(358,027)	12,629,453	12,629,453
Loss allowance equal to lifetime ECL with SICR/(write-off within the provision)	(923,901)	(13,731,579)	-
Loss allowance equal to lifetime ECL that are credit impaired/(write back)	(215,618)	(395,420)	(395,420)
Direct write-off	-	-	401,299
Management Overlay	(6,049,246)	(6,049,246)	(6,049,246)
Closing balance	9,598,289	9,598,289	6,586,086

Collateral security for loans and advances is mainly motor vehicles.

See Note 26 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.

	Group		Company	
	2023	2022	2023	2022
	$	$	$	$
8. DEBT FINANCIAL ASSETS AT AMORTISED COST				
Receivables due from other financial institutions	34,826,852	18,490,000	32,000,000	18,350,000
Securities held	2,800,000	50,538,000	2,400,000	45,388,000
	37,626,852	69,028,000	34,400,000	63,738,000

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Quoted equity shares	8,510,533	6,022,541	-	-

As at 30 June 2023, the Group had $8,510,533 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			
30-Jun-23		Level 1	Level 2	Level 3	Total
Quoted equity shares	8,510,533	8,510,533	-	-	8,510,533
30-Jun-22					
Quoted equity shares	6,022,541	6,022,541	-	-	6,022,541

	Group		Company	
	2023	2022	2023	2022
	$	$	$	$

10. PREPAYMENTS AND OTHER ASSETS

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Other debtors	1,556,273	2,091,754	1,556,273	2,091,754
Prepayments	1,138,337	1,495,099	1,028,568	1,060,181
Receivable from related party (Note 25)(b)	-	-	2,078,842	303,773
	2,694,610	3,586,853	4,663,683	3,455,708

11. INVESTMENT IN SUBSIDIARIES

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Shares in Subsidiary Companies:				
- Platinum Insurance Limited	-	-	215,000	215,000
- Insurance Holdings (Pacific) Pte Limited	-	-	661,694	-
- Veritas Pte Limited	-	-	386,592	-
	-	-	1,263,286	215,000

The Company holds 100% of the ordinary shares for all these subsidiaries. The results of these subsidiaries has been consolidated in these financial statements.

12. DUE TO CUSTOMERS

As at year end, due to customers is as follows:

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Term deposits	212,307,378	174,166,341	212,307,378	174,166,341

Sector concentration

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Individuals	99,466,636	98,815,771	99,466,636	98,815,771
Private sector businesses	30,519,843	18,318,509	30,519,843	18,318,509
Public enterprises	42,616,692	34,572,725	42,616,692	34,572,725
Non-profit institutions	12,955,418	11,752,373	12,955,418	11,752,373
Non-bank financial institutions	25,248,493	10,706,963	25,248,493	10,706,963
Local Government	1,500,296	-	1,500,296	-
	212,307,378	174,166,341	212,307,378	174,166,341

Maturity analysis

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Not longer than 3 months	40,268,353	15,446,680	40,268,353	15,446,680
Longer than 3 months and not longer than 12 months	87,375,443	59,643,767	87,375,443	59,643,767
Longer than 12 months and not longer than 5 years	74,613,514	90,541,015	74,613,514	90,541,015
Longer than 5 years	10,050,068	8,534,879	10,050,068	8,534,879
	212,307,378	174,166,341	212,307,378	174,166,341

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
13. PROPERTY, PLANT AND EQUIPMENT				
Furniture and fittings				
Cost:				
At 1 July	1,163,023	1,173,425	1,163,023	1,173,425
Additions	80,187	34,437	80,187	34,437
Acquisition of a subsidiary	61,717	-	-	-
Disposals	(1,900)	(44,839)	(1,900)	(44,839)
At 30 June	1,303,027	1,163,023	1,241,310	1,163,023
Depreciation:				
At 1 July	897,831	750,550	897,831	750,550
Depreciation charge for the year	131,758	180,159	130,463	180,159
Acquisition of a subsidiary	38,184	-	-	-
Disposal	(1,203)	(32,878)	(1,203)	(32,878)
At 30 June	1,066,570	897,831	1,027,091	897,831
Net written down value as at 30 June	236,457	265,192	214,219	265,192
Office equipment				
Cost:				
At 1 July	1,911,157	1,962,640	1,911,157	1,962,640
Additions	329,761	212,251	326,719	212,251
Acquisition of a subsidiary	341,117	-	-	-
Disposal	(83,707)	(263,734)	(83,707)	(263,734)
At 30 June	2,498,328	1,911,157	2,154,169	1,911,157
Depreciation:				
At 1 July	1,299,284	1,242,140	1,299,284	1,242,140
Depreciation charge for the year	291,657	306,338	285,700	306,338
Acquisition of a subsidiary	326,342	-	-	-
Disposal	(72,431)	(249,194)	(72,431)	(249,194)
At 30 June	1,844,852	1,299,284	1,512,553	1,299,284
Net written down value as at 30 June	653,476	611,873	641,616	611,873
Motor vehicles				
Cost:				
At 1 July	1,015,251	980,531	1,015,251	980,531
Additions	358,065	88,900	258,900	88,900
Acquisition of a subsidiary	175,791	-	-	-
Disposal	-	(54,180)	-	(54,180)
At 30 June	1,549,107	1,015,251	1,274,151	1,015,251
Depreciation:				
At 1 July	663,907	506,896	663,907	506,896
Depreciation charge for the year	220,871	203,392	218,395	203,392
Acquisition of a subsidiary	172,826	-	-	-
Disposal	-	(46,381)	-	(46,381)
At 30 June	1,057,604	663,907	882,302	663,907
Net written down value as at 30 June	491,503	351,344	391,849	351,344

	Group		Company	
	2023	2022	2023	2022
	$	$	$	$
13. PROPERTY PLANT AND EQUIPMENT ***continued***				
Buildings				
Cost:				
At 1 July	860,835	-	860,835	-
Additions	2,688,212	860,835	2,688,212	860,835
Acquisition of a subsidiary	126,791	-	-	-
At 30 June	3,675,838	860,835	3,549,047	860,835
Depreciation:				
At 1 July	11,703	-	11,703	-
Depreciation charge for the year	51,886	11,703	50,899	11,703
Acquisition of a subsidiary	23,758	-	-	-
At 30 June	87,347	11,703	62,602	11,703
Net written down value as at 30 June	3,588,491	849,132	3,486,445	849,132
Leasehold land				
Cost:				
At 1 July	945,000	-	945,000	-
Additions	-	945,000	-	945,000
At 30 June	945,000	945,000	945,000	945,000
Depreciation:				
At 1 July	7,756	-	7,756	-
Depreciation charge for the year	13,296	7,756	13,296	7,756
At 30 June	21,052	7,756	21,052	7,756
Freehold land				
Cost:				
At 1 July	-	-	-	-
Additions	1,900,000	-	1,900,000	-
At 30 June	1,900,000	-	1,900,000	-
Net written down value as at 30 June	2,823,948	937,244	2,823,948	937,244
Work In Progress				
Cost:				
At 1 July	52,644	147,766	52,644	147,766
Additions	4,803,114	297,122	4,645,837	297,122
Transfers	(495,593)	(392,244)	(495,593)	(392,244)
At 30 June	4,360,165	52,644	4,202,888	52,644
Net book value as at 30 June	12,154,040	3,067,429	11,760,965	3,067,429

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**

14. INTANGIBLE ASSETS AND GOODWILL

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Software costs				
Cost:				
At 1 July	1,692,491	1,599,565	1,692,491	1,599,565
Additions	36,794	130,981	36,794	130,981
Disposal	-	(38,055)	-	(38,055)
At 30 June	1,729,285	1,692,491	1,729,285	1,692,491
Amortisation and impairment:				
At 1 July	1,306,387	1,129,233	1,306,387	1,129,233
Amortisation	180,493	215,209	180,493	215,209
Disposal	-	(38,055)	-	(38,055)
At 30 June	1,486,880	1,306,387	1,486,880	1,306,387
Net written down value as at 30 June	242,405	386,104	242,405	386,104
Goodwill				
Cost:				
At 1 July				
Acquisition of a subsidiaries:				
Insurance Holdings (Pacific) Pte Limited	894,312	-	-	-
Veritas Pte Limited	441,020	-	-	-
At 30 June	1,335,332	-	-	-
Net written down value as at 30 June	1,577,737	386,104	242,405	386,104

15. TRADE AND OTHER PAYABLES

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Trade payables	292,561	296,116	223,320	272,469
Payable to related party (Note 25) (b)	19,416	24,150	2,871,418	405,503
Accrued and other liabilities	7,763,597	1,476,719	2,050,884	1,469,843
	8,075,574	1,796,985	5,145,622	2,147,815

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

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Opening balance	7,112,609	7,683,976	-	-
Gross premiums written	7,387,334	3,737,283	-	-
Less premiums cancelled	(3,255,247)	(2,090,105)	-	-
Less premiums earned	(2,182,000)	(2,218,545)	-	-
	9,062,696	7,112,609	-	-
Premiums earned	2,182,000	2,218,545	-	-
Reinsurance expenses	(71,448)	(67,146)	-	-
Premium income*	2,110,552	2,151,399	-	-

*Premium income includes premium earned and net reinsurance revenue.

		Group		Company	
		2023	**2022**	**2023**	**2022**
		$	**$**	**$**	**$**

17. PROVISIONS

a)	Outstanding claims	49,214	99,010	-	-

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	1,205,745	1,212,705	-	-
Loss reserve movement	(269,809)	(6,960)	-	-
At 30 June	935,936	1,205,745	-	-
Total provisions as at 30 June	985,150	1,304,755	-	-

18. EMPLOYEE BENEFIT LIABILITY

Annual leave	222,224	178,189	194,175	178,189

19. LEASES

Group 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 2022	3,564,141	5,598,163	3,170,323	5,598,163
Additions	1,140,140	428,138	402,819	13,691
Remeasurement of right-of-use assets	58,902	(1,058,572)	47,887	(1,058,572)
Depreciation expense	(1,026,183)	(1,403,588)	(955,786)	(1,382,959)
As at 30 June 2023	3,737,000	3,564,141	2,665,243	3,170,323

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

As at 1 July 2022	3,843,553	5,902,342	3,435,488	5,902,342
Additions	945,675	436,857	76,582	13,691
Remeasurement of lease liability	58,902	(1,058,572)	47,887	(1,058,572)
Accretion of interest	299,430	123,479	253,404	111,106
Payments	(953,608)	(1,560,553)	(836,706)	(1,533,079)
As at 30 June 2023	4,193,952	3,843,553	2,976,655	3,435,488

The following are the amounts recognised in profit or loss:

Depreciation expense of right-of-use assets	1,026,183	1,403,588	955,786	1,382,959
Interest expense on lease liabilities	299,430	123,479	253,404	111,106
Total amount recognised in profit or loss	1,325,613	1,527,067	1,209,190	1,494,065

The Group had total cash outflows for leases of $953,608 in 2023. 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.

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $

20. DEBT ISSUED AND OTHER BORROWED FUNDS

Tier 2 Capital Bond	19,590,000	20,000,000	19,590,000	20,000,000

As at 30 June 2023, Kontiki Finance Limited had on issue $19.59 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). A total of $0.41 million was repaid during the financial year.

21. FINANCIAL ASSETS HELD FOR TRADING

Government debt securities	6,037,513	-	5,065,505	-

During the financial year, the Group had sold a portion of its government bond portfolio resulting in a gain of $4,997,434 for the Group ($4,882,525 for the Company).

22. SHARE CAPITAL

Issued and paid up capital

Ordinary shares fully paid	15,060,578	14,870,626	15,060,578	14,870,626

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 3.5 cents per share, totaling to $3,254,464, was declared from profits for the 2022 financial year and paid in the 2023 financial year. In addition, an interim dividend of 1.5 cents and 2.0 cents per share, totaling to $3,251,362, was declared and paid during the financial year 2023. During the year, as part of the dividend reinvestment, the Company raised share capital totaling to $633,275 (2022: $256,505) and share buy back of $443,323 in the 2023 financial year. The total number of shares at the end of the year was 93,150,247 (2022: 92,984,698).

23. EARNINGS PER SHARE

Profit attributable to ordinary shares for basic earnings	13,933,598	7,216,936
Weighted average ordinary shares at end of financial year	93,067,473	92,868,902
Basic earnings per share ($)	$ 0.15	$ 0.08

24. COMMITMENTS AND CONTINGENT LIABILITIES

a) Contingent liabilities	Nil	Nil
b) Capital commitments	6,685,927	10,050,389

Capital expenditure of $6,685,927 is budgeted for the purchase of IT hardware and software, buildings, motor vehicles, office furniture, fittings and equipment and software development for the company.

25. 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:
Barry Whiteside (Chairman)
Glen Craig
Griffon Emose
Chirk Yam

25. RELATED PARTY TRANSACTIONS *continued*

		Company	
		2023	**2022**
(b) **Owing by/(to) related parties**	**Transaction type**		
- Platinum Insurance Limited	Insurance premiums	(2,852,002)	(381,353)
- Platinum Insurance Limited	Insurance claims	362,200	303,773
- Directors	Directors fees	(19,416)	(24,150)
- Insurance Holdings (Pacific) Pte Limited	Advances	1,397,357	-
- Veritas Pte Limited	Advances	319,285	-
(c) **Other related party transactions**			
- Kontiki Stockbroking Pte Limited	Referral and broking fee	57,704	26,885
- Kontiki Capital Pte Limited	Advisory and managerial services	18,968	28,031
- Compensation of key management personnel	Directors fees and other benefits	253,153	301,667
	Short term employee benefits	2,417,964	2,027,516
Income			
- Platinum Insurance Limited	Dividend	2,000,000	-

26. 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 and Risk 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 of 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	
	2023	**2022**	**2023**	**2022**
Cash and cash equivalents	70,468,847	26,078,924	68,559,828	25,839,768
Receivable from customers	151,285,000	128,928,889	145,892,096	128,926,391
Debt financial assets at amortised cost	37,626,852	69,028,000	34,400,000	63,738,000
Prepayments and other assets	2,694,610	3,586,853	4,663,683	3,455,708
Financial assets held for trading	6,037,513	-	5,065,505	-
Financial assets at fair value through profit or loss	8,510,533	6,022,541	-	-
	276,623,355	233,645,207	258,581,112	221,959,867

26. 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 unlikeliness 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 earlier 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.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

Credit risk *continued*

Impairment assessment continued

Information about the Group and the Company's exposure to credit risk and ECL for receivables as at 30 June 2023 is set out in Note 7. The summary of the Group and the Company's exposure to credit risk is as follow:

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Stage 1 - not credit impaired and no SICR*	133,675,846	102,492,238	128,282,942	102,489,740
Stage 2 - SICR but not credit impaired	16,021,045	23,390,628	16,021,045	23,390,628
Stage 3 - Credit impaired	7,479,059	12,644,312	7,479,059	12,644,312
Gross Credit Exposure	157,175,950	138,527,178	151,783,046	138,524,680
Less: allowance for ECL/impairment losses	(5,890,950)	(9,598,289)	(5,890,950)	(9,598,289)
Net Credit Exposure	151,285,000	128,928,889	145,892,096	128,926,391

*Stage 1 for Group includes insurance premium receivable of $416,865 for PIL and trade receivables relating to IHL amounting to $4,976,039 (2022: $2,498).

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	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Individuals	136,783,783	121,279,904	131,807,744	121,279,904
Professional and business services	8,606,523	9,398,420	8,606,523	9,398,420
Agriculture	3,476,827	2,740,596	3,476,827	2,740,596
Building and construction	4,802,704	2,067,245	4,802,704	2,067,245
Transport, communication and storage	3,795,729	4,630,816	3,795,729	4,630,816
	157,465,566	140,116,981	152,489,527	140,116,981
Insurance premium receivable	416,865	2,498	-	-
	157,882,431	140,119,479	152,489,527	140,116,981

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.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

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 2023

ASSETS	**Less than 3 months**	**3 -12 months**	**12 months - 5 years**	**More than 5 Years**	**Total**
Cash and cash equivalents	70,468,847	-	-	-	70,468,847
Financial assets at fair value through profit or loss	8,510,533	-	-	-	8,510,533
Debt financial assets at amortised cost	15,000,000	8,876,852	12,150,000	1,600,000	37,626,852
Financial assets held for trading	6,037,513	-	-	-	6,037,513
Receivable from customers	5,996,416	6,482,493	63,219,996	82,183,526	157,882,431
EQUITY AND LIABILITIES					
Due to customers	40,268,353	87,375,443	74,613,514	10,050,068	212,307,378
Trade and other payables	8,075,574	-	-	-	8,075,574
Employee benefit liability	222,224	-	-	-	222,224
Unearned premium	380,582	1,736,800	5,718,570	1,226,744	9,062,696
Debt issued and other borrowed funds	1,590,000	6,410,000	11,590,000	-	19,590,000
Lease liabilities	359,315	777,336	2,484,277	573,024	4,193,952

30 June 2022

ASSETS	**Less than 3 months**	**3 -12 months**	**12 months - 5 years**	**More than 5 Years**	**Total**
Cash and cash equivalents	26,078,924	-	-	-	26,078,924
Financial assets at fair value through profit or loss	6,022,541	-	-	-	6,022,541
Debt financial assets at amortised cost	3,890,000	10,600,000	6,800,000	47,738,000	69,028,000
Receivable from customers	1,593,357	7,760,520	91,852,548	38,913,054	140,119,479
EQUITY AND LIABILITIES					
Due to customers	15,446,680	59,643,767	90,541,015	8,534,879	174,166,341
Trade and other payables	1,796,985	-	-	-	1,796,985
Employee benefit liability	178,189	-	-	-	178,189
Unearned premium	357,466	1,661,442	4,498,381	595,320	7,112,609
Debt issued and other borrowed funds	-	520,000	16,000,000	3,480,000	20,000,000
Lease liabilities	303,171	694,501	2,093,498	752,383	3,843,553

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.

27. 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**	
	2023	**2022**
Tier 1	25,853,055	24,065,046
Tier 2	21,269,323	17,966,958
Total capital	47,122,378	42,032,004
Risk weighted assets	186,289,889	153,096,139
Tier 1 capital ratio	14%	16%
Total capital ratio	25%	27%

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).

28. Significant event - Acquisition of Insurance Holdings (Pacific) Pte Ltd (IHL) and Veritas Pte Limited (Veritas)

On 31 March 2023, KFL completed the purchase of 100% of the outstanding share capital of Insurance Holdings (Pacific) Pte Limited (IHL) and Veritas Pte Limited (Veritas).

IHL is an insurance broking business founded in 2006. IHL currently has the WTW and Arthur J. Gallagher global agency agreements for Fiji. With this transaction, these agency agreements has transfered to the Group’s ownership after settlement.

Veritas is an insurance claims outsource processing business. Veritas is contracted to provide claim management to the Accident Compensation Commission, Fiji (ACCF).

In June 2023, the Government of Fiji announced its 2023-2024 National Budget which included a revision to the corporate tax rates. The income tax rates was raised from 10% to 15% for the company and from 20% to 25% for the Fiji based non listed subsidiaries which affected deferred tax balances recorded in the current year as well as the financial results, tax payable and deferred balances in the subsequent financial year.

29. PRINCIPAL BUSINESS ACTIVITY

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 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.

The principal activity of the Insurance Holdings (Pacific) Pte Limited during the financial year was insurance broking.

The principal activity of Veritas Pte Limited were consultancy and claim management services.

30. 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	2023	2022
Executive	4	4
Finance	39	28
Products and distribution	85	64
Lending and compliance	45	55
Other	32	8
	205	159

All employees are employed by the Company and its Subsidiaries Veritas Pte Limited and Insurance Holdings (Pacific) Pte Limited.

31. 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.

Amendments to IAS 8: Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

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

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of materiality to accounting policy information, an effective date for these amendments is not necessary.

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

31. STANDARDS ISSUED BUT NOT YET EFFECTIVE *continued*

Amendments to IAS 1

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; and
• 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 and whether existing loan agreements may require reclassification.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.
The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently assessing the impact of the amendments.

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. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

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.

IFRS 17 Insurance Contracts has not been adopted early. This standard provides consistent principles for all aspects of accounting for insurance contracts and becomes effective for annual periods commencing on or after 1 January 2023. The Company expects to apply the premium allocation approach. This approach will have no impact to the Liability for Remaining Cover. However, this approach would require an additional allowance for non-financial risk and an allowance for claim management expenses. Both of which will need to be added to determine the Liability for Incurred Claims. This will require a re-statement of opening equity at the date of transition of 30 June 2022, and at 30 June 2023 when comparatives are included in the 30 June 2024 financial statements prepare under IFRS 17. The impact to the opening equity is calculated to amount to $253,000.

32. SEGMENT INFORMATION

The Directors have examined the Group's performance both from a business and a geographic perspective and have identified four 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.
- Insurance business located in Fiji, act as an insurance broker.
- Outsourcing business located in Fiji, providing consultancy and claim management services.

32. 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(b).

2023 **Revenue**	**Fiji** **$**	**Vanuatu** **$**	**Inter Segment** **$**	**Total** **$**
Interest revenue calculated using the effective interest method	34,281,072	248,480	-	34,529,552
Interest expense calculated using the effective interest method	(7,617,743)	-	-	(7,617,743)
Other Interest and similar expense	(1,647,170)	(25,076)		(1,672,246)
Net interest income	25,016,159	223,404	-	25,239,563
Fee income	1,571,324	-	-	1,571,324
Premium income	-	2,110,552	-	2,110,552
Net gains/(losses) on financial assets at fair value through profit or los	4,882,525	114,909		4,997,434
Non-trading income	5,235,302	2,273,614	(2,000,000)	5,508,916
Total revenue	36,705,310	4,722,479	(2,000,000)	39,427,789
Less: expenses				
Movements in expected credit loss	(8,063,203)	-	-	(8,063,203)
Personnel Expenses	(9,430,839)	-	-	(9,430,839)
Depreciation of property, plant and equipment	(1,694,454)	(41,197)	-	(1,735,651)
Amortisation of intangible assets	(180,493)	-	-	(180,493)
Other operating expenses	(4,513,692)	(1,024,223)	86,068	(5,451,847)
Total operating expenses	(23,882,681)	(1,065,420)	86,068	(24,862,034)
Operating profit before tax	12,822,629	3,657,059	(1,913,932)	14,565,756
Profit before tax				
Income tax expense	(719,671)	-	-	(719,671)
Net profit after tax	12,102,958	3,657,059	(1,913,932)	13,846,085
Total assets	284,277,630	15,895,559	(4,776,077)	295,397,112
Total liabilities	248,489,021	10,549,350	(4,601,397)	254,436,974
Cash flows from operating activities	30,536,744	2,663,050	-	33,199,794
Cash flows from investing activities	21,453,339	(3,293,158)	-	18,160,181
Cash flows used in financing activities	(6,932,086)	(37,966)	-	(6,970,052)

32. SEGMENT INFORMATION *continued*

2022 **Revenue**	**Fiji** **$**	**Vanuatu** **$**	**Inter Segment** **$**	**Total** **$**
Interest revenue calculated using the effective interest method	36,745,018	190,296	-	36,935,314
Interest expense calculated using the effective interest method	(9,222,177)	-	-	(9,222,177)
Other Interest and similar expense	(1,486,106)	(12,373)		(1,498,479)
Net interest income	26,036,735	177,923	-	26,214,658
Fee income	1,023,587	-	-	1,023,587
Premium income	-	2,151,399	-	2,151,399
Non-trading income	1,083,395	435,962	-	1,519,357
Total revenue	28,143,717	2,765,284	-	30,909,001
Less: expenses				
Movements in allowance for impairment losses	(6,586,086)	-	-	(6,586,086)
Personnel Expenses	(8,280,286)	-	-	(8,280,286)
Depreciation of property, plant and equipment	(2,092,308)	(20,628)	-	(2,112,936)
Amortisation of intangible assets	(215,209)	-	-	(215,209)
Other operating expenses	(4,123,673)	(1,814,225)	102,177	(5,835,722)
Total operating expenses	(21,297,562)	(1,834,854)	102,177	(23,030,239)
Operating profit before tax	6,846,155	930,430	102,177	7,878,762
Profit before tax				
Income tax expense	(661,826)	-	-	(661,826)
Net profit after tax	6,184,329	930,430	102,177	7,216,936
Total assets	229,880,688	12,551,327	(687,169)	241,744,846
Total liabilities	199,927,833	8,884,184	(409,585)	208,402,432
Cash flows from operating activities	(15,815,182)	(990,043)	-	(16,805,225)
Cash flows from investing activities	3,947,845	251,751	-	4,199,596
Cash flows used in financing activities	(3,949,921)	(15,101)	-	(3,965,022)

32. SEGMENT INFORMATION *continued*

(b) Business Segment

The following summary describes the operations of each business segment.

Business segments	Operations
Finance	Receiving deposits and extending of credit and related services
Insurance	Underwriting of loan protection insurance
Broking	Insurance broking
Claim management services	Consultancy and claim management services.

33. 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.