

Nationwide Microbank Limited

Financial Statements

For the Year Ended 31 December 2023

Nationwide Microbank Limited

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For the Year Ended 31 December 2023

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Nationwide Microbank Limited

Company Information

Registered office address	1st Floor, Wilson Kamit Building PNG Institute of Banking & Business Management ToRobert Training Centre Vanama Crescent Konedobu National Capital District Papua New Guinea
Postal address	PO Box 179 Port Moresby National Capital District Papua New Guinea
Address of service	1st Floor, Wilson Kamit Building PNG Institute of Banking & Business Management ToRobert Training Centre Vanama Crescent Konedobu National Capital District Papua New Guinea
Directors	Paul Mcvincent Nindipa Jason Robert McIlvena Wavie Ruth Anne Kendino Arthur Vera Peter John Aitsi
Chief Executive Officer	Anthony Michael Westaway
Auditors	PricewaterhouseCoopers PNG PwC Haus, Level 6 Harbour City, Konedobu Port Moresby, NCD Papua New Guinea
Bankers	Kina Bank Bank of South Pacific Limited

Nationwide Microbank Limited

Directors' Report

31 December 2023

The Directors have pleasure in presenting their report together with the financial statements of Nationwide Microbank Limited (MiBank) for the year ended 31 December 2023 and the auditor's report thereon.

Directors

The directors at balance date and up to the date of this report were:

Paul Mcvincent Nindipa
Jason Robert McIlvena
Wavie Ruth Anne Kendino
Arthur Vera
Peter John Aitsi

Activities

The principal activities of MiBank during the financial year comprised of the provision of banking services including credit and savings to the general public of Papua New Guinea. During the year the Company continued to expand its banking network within Papua New Guinea.

Results

The income of the Company after providing for income tax amounted to 2023: K12,788,202 (2022: K11,423,123).

Dividend

No dividend was paid or declared during the year.

Change in accounting policies

There were no changes in accounting policies of the Company during the current year.

Auditors

The financial statements for the Company have been audited by PwC (PNG) and should be read in conjunction with the Independent Auditor's Report as set out on pages 4 to 6.

Interests register

There were no transactions recorded in the interests register during the financial year.

Other disclosure

In compliance with Section 212(3) of the Companies Act 1997 the Company has obtained consent from all of its Shareholders not to disclose to matters required under Section 212(1)(a) and (d) to (j) of the Companies Act 1997.

Matters or circumstances arising after the end of the year

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

For and on behalf of the Board of Directors:

Director:

Director:

Signed at PORT MORESBY on this 20TH day of MARCH 2024

Directors' Declaration

- 1. In the opinion of the Directors of Nationwide Microbank Limited:
 - a). the statement of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of the results of the business of the Company for the year ended 31 December 2023;
 - b). the statement of financial position is drawn up so as to exhibit a true and fair view of the state of affairs of the Company as at 31 December 2023;
 - c). the statement of changes in equity is drawn up to exhibit a true and fair view of the changes in equity for the financial year end 31 December 2023; and
 - d). at the date of this statement there are reasonable grounds to believe the Company will be able to pay its debts as and when they fall due.
- 2. The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in Papua New Guinea and the Companies Act, 1997 of Papua New Guinea.
- 3. The key risks facing the Company are identified on a continuous basis. Systems have been established to monitor and manage risk including setting and adhering to a series of prudential limits and by adequate and regular reporting. These risk management systems are operating effectively and are adequate having regard to the risks they are designed to control.

Signed at Port Moresby

For and on behalf of the Board of Directors

Director

Director

20 March 2024



Independent auditor's report

To the shareholders of Nationwide Microbank Limited

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of Nationwide Microbank Limited (the Company), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
- give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and cash flows for the year then ended.

Basis for opinion

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

Independence

We are independent of the Company 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 these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Information other than the financial statements and auditor's report

The directors are responsible for the annual report which includes other information. Our opinion on the financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 for the financial statements

The directors are responsible, on behalf of the Company, for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea and the Companies Act 1997, and for such internal control as the directors 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 are responsible for assessing the Company'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 either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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.

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

Report on other legal and regulatory requirements

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2023:

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

Who we report to

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1997. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'J Grasso'.

Jonathan Grasso
Partner
Registered under the Accountants Act 1996

Port Moresby
20 March 2024

Statement of Financial Position
As At 31 December 2023

	Note	2023 PGK	2022 PGK
ASSETS			
Cash and cash equivalents	10	40,609,350	29,957,563
Investments held with Central Bank	11	53,878,835	49,333,749
Loans and advances to customers	12	86,739,464	74,765,101
Property, plant and equipment	19	4,076,839	4,734,133
Right-of-use assets	20	2,929,614	4,598,854
Deferred tax assets, net	14	3,017,951	4,616,850
Other assets	13	2,922,996	4,998,476
TOTAL ASSETS		194,175,049	173,004,726
LIABILITIES			
Deposits from customers	15	130,850,628	126,293,183
Other liabilities	16	7,585,442	6,174,223
Income tax payable	14	3,918,404	-
Provisions	17	1,910,123	1,767,041
Lease liabilities	20	3,236,198	4,911,689
Borrowings	18	3,970,360	3,942,898
TOTAL LIABILITIES		151,471,155	143,089,034
NET ASSETS		42,703,894	29,915,692
EQUITY			
Share capital	21	15,263,526	15,263,526
Retained earnings		27,440,368	14,652,166
TOTAL SHAREHOLDER EQUITY		42,703,894	29,915,692

Signed at Port Moresby

For and on behalf of the Board of Directors

Director

20 March 2024

Director

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2023

		2023	2022
	Note	PGK	PGK
Interest income	4	53,955,909	52,812,772
Interest expenses and other related charges	5	(2,314,968)	(2,902,740)
Net interest income		51,640,941	49,910,032
Fees and commission income	6	8,622,632	8,606,906
Investment income	7	1,487,514	1,760,599
Other operating income	8	997,548	541,770
Net operating income		62,748,635	60,819,307
Personnel expenses	9(a)	(15,987,583)	(14,215,202)
Depreciation	19,20	(3,491,302)	(3,948,718)
Impairment of financial assets	12	(10,748,080)	(15,873,257)
Operating expenses	9(b)	(14,001,556)	(13,545,468)
Finance cost on leases	20	(214,609)	(326,669)
Income before tax from operating income		18,305,505	12,909,993
Income tax expense	14	(5,517,303)	(1,486,870)
Income for the year		12,788,202	11,423,123
Other comprehensive income		-	-
Total comprehensive income for the year		12,788,202	11,423,123

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 31 December 2023

	Note	Share Capital PGK	Retained Earnings PGK	Total PGK
Balance at 1 January 2022	21	15,263,526	3,229,043	18,492,569
Income for the year		-	11,423,123	11,423,123
Other comprehensive income		-	-	-
Balance at 31 December 2022	21	15,263,526	14,652,166	29,915,692
Income for the year		-	12,788,202	12,788,202
Other comprehensive income		-	-	-
Balance at 31 December 2023	21	15,263,526	27,440,368	42,703,894

Statement of Cash Flows

For the Year Ended 31 December 2023

		2023	2022
	Note	PGK	PGK
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before tax		18,305,505	12,909,993
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	19,20	3,491,302	3,948,718
Finance cost on leases	20	214,609	326,669
Gain on disposal of property, plant and equipment	8	(88,000)	(146,000)
Impairment losses on loans and advances to customers	12	10,748,080	15,873,257
PML goodwill write-off	9b	-	1,616,973
Write-off of other assets		-	385,850
Other non-cash items included in profit before tax		27,485	27,553
Movement in working capital			
Increase in loans and advances to customers		(22,722,443)	(15,720,283)
Decrease/(increase) in other assets		2,075,470	(2,549,308)
Increase in deposits from customers		4,553,444	8,072,002
Increase in other liabilities		1,415,207	139,793
Increase in provisions		143,082	743,854
Net cash provided by operating activities		18,163,741	25,629,071
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds on disposal of property, plant and equipment		88,000	146,000
Purchase of property, plant and equipment	19	(1,164,768)	(1,322,692)
Cash received from PNG Sustainable Development Program (PNGSDP)		-	4,405,800
Purchase of government securities		(179,797,517)	(158,318,249)
Disposal of government securities		175,252,431	143,874,688
Net cash used in investing activities		(5,621,854)	(11,214,453)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of lease liabilities	20	(1,675,491)	(2,134,661)
Finance cost paid	20	(214,609)	(326,669)
Net cash used in financing activities		(1,890,100)	(2,461,330)
Net increase in cash and cash equivalents held		10,651,787	11,953,288
Cash and cash equivalents at beginning of year		29,957,563	18,004,275
Cash and cash equivalents at end of financial year	10	40,609,350	29,957,563

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2023

1 General

Nationwide Microbank Limited (MiBank or the Company) is a Company incorporated in Papua New Guinea. The addresses of its registered office and principal place of business are disclosed in the introduction to the financial report. The principal activity of the Company is to provide financial services to the unbanked people of Papua New Guinea.

The financial statements have been approved for issue by the Board of Directors on 20 March 2024.

(a) Statement of compliance

The financial statements of the Company are prepared in accordance with the applicable financial reporting standards to the extent that IFRS complies with Bank of Papua New Guinea prudential standards, other mandatory professional reporting requirements approved for use in Papua New Guinea and the Companies Act 1997. IFRS are Standards and Interpretations developed and approved by the International Accounting Standards Board (IASB).

(b) Basis of accounting

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period as explained in the accounting policies below.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(c).

(c) Critical estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Judgments

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements include the following:

- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward looking information into the measurement of Expected Credit Loss (ECL) and selection and approval of the model used to measure ECL; and
- the assessment of the business model used for the classification of financial assets and assessment of whether the contractual terms of the financial asset are solely for the purpose of principal and interest (SPPI) on the principal amount outstanding.

Notes to the Financial Statements

For the Year Ended 31 December 2023

1 General (continued)

(c) Critical estimates and judgements (continued)

Assumptions and estimation uncertainties

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- impairment of financial instruments – the determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and the incorporation of forward-looking information; and
- recognition and measurement of contingencies - the key assumptions about the likelihood and magnitude of an outflow of resources.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 23 (a) and note 25.

(d) Comparative amounts

Where necessary, comparative figures have been adjusted to conform to current disclosure and reclassification of balances. This has not resulted in any adjustment to net assets or retained earnings.

(e) Going Concern

Management prepared the financial statements on a going concern basis. In making this judgement management considered the Company's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the recent macroeconomic developments on future operations of the Company.

2 Significant accounting policies

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

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income

Interest income and expense are recognised in the income statement on an effective interest rate ("EIR") basis. The EIR is the rate that, at the inception of the financial asset or liability, exactly discounts expected future cash payments and receipts over the expected life of the instrument back to the initial carrying amount. When calculating the EIR, the Company estimates cashflows considering all contractual terms of the instrument (for example, prepayment options) but does not consider the assets' future credit losses.

At each reporting date, management makes an assessment of the expected remaining life of its financial assets, including any acquired loan portfolios and where there is a change in those assessments, the remaining amount of any unamortised discount or premiums is adjusted so that the interest income continues to be recognised prospectively on the amortised cost of the financial asset at the original EIR. The adjustment is recognised within interest income in the income statement for the current period.

Notes to the Financial Statements

For the Year Ended 31 December 2023

2 Significant accounting policies (continued)

(a) Revenue recognition (continued)

The calculation of the EIR includes all transaction costs and fees, paid or received, that are an integral part of the interest rate together with the discounts or premium arising on the acquisition of loan portfolios. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest on financial assets and financial liabilities is measured at amortised cost and is calculated on an EIR basis.

Fees and commission income

Fee and commission income includes fees relating to services provided to customers which do not meet the criteria for inclusion within interest income.

Other fee and commission income includes fees charged for mortgage services, arrears and other fees.

This income is recognised as the related services are performed.

Investment income

Interest income earned from financial assets that are held for cash management purposes is presented as investment income.

(b) Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand and highly liquid financial assets held with commercial banks with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(c) Property, plant and equipment

Property, plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses. Where it meets the definition of an asset, the cost of improvements to leasehold premises is capitalised and amortised over the estimated useful life of the improvement concerned.

Depreciation is calculated on a straight-line basis from the date of acquisition at rates appropriate to the estimated useful lives as follows:

Furniture and fittings	20%
Motor vehicles	20%
Equipment	20%
Leasehold improvements	20%

Gains or losses on disposal (being the difference between the carrying amount at the time of sale and the proceeds of disposal) are taken to income in the year.

Notes to the Financial Statements

For the Year Ended 31 December 2023

2 Significant accounting policies (continued)

(d) Impairment of non-financial assets

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

(e) Goodwill

Goodwill is measured at cost less impairment losses. Goodwill is calculated as the excess of the cost of acquisition over the fair value of the net identifiable assets.

Goodwill has indefinite expected life and not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or group of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(f) Income tax

Income tax expense on the profit for the year comprises current tax and the movement in deferred tax balance.

Current tax is the expected tax payable on the taxable income for the financial year using tax rates that have been enacted or substantively enacted for PNG at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or other intangible assets with indefinite expected life, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit (other than in a business combination), or differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted for PNG at the reporting date that are expected to apply when the liability is settled or the asset is realised.

Notes to the Financial Statements

For the Year Ended 31 December 2023

2 Significant accounting policies (continued)

(f) Income tax (continued)

Current and deferred taxes attributable to amounts recognised in other comprehensive income are also recognised in other comprehensive income.

Except as noted above, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(g) Employee benefits

Employee provisions comprise liabilities for employee benefits arising from services rendered by employees at the reporting date. Employee benefits have maturities of both less than one year and greater than one year and have been measured at the amounts expected to be paid when the liability is settled plus related on-costs.

Superannuation contributions are made by the Company to the defined contribution fund.

(h) Leases

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

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Notes to the Financial Statements

For the Year Ended 31 December 2023

2 Significant accounting policies (continued)

(h) Leases (continued)

As a lessee (continued)

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

- fixed payments, including in-substance payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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

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

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment (i.e., below \$5,000 or its kina equivalent or within 12 months). The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

(i) Loans and advances to customers

Loans and advances to customers are measured at amortised cost. These are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method where they have contractual cash flows which represent solely payment of principal and interest on the principal balance outstanding and they are held within a business model whose objective is achieved through holding the loans to collect these cash flows. They are presented net of any provisions for ECL.

When the Company purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date, the consideration paid is accounted for as a loan or advance, and the underlying asset is not recognised in the Company's financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2023

2 Significant accounting policies (continued)

(j) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions payable later than one year have been measured at the present value by discounting the expected future cash outflows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as financing costs.

(k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(l) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Company initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

(ii) Classification

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold to collect; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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

All other financial assets are classified as measured at FVTPL.

Notes to the Financial Statements

For the Year Ended 31 December 2023

2 Significant accounting policies (continued)

(I) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g., whether compensation is based on the fair value of the assets managed or contractual cash flows collected); and
- the frequency, volume and timing of sales in prior period, the reasons for such sales and its expectation about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Company's business comprises primarily loans to customers that are held for collecting contractual cash flows. Sales of loans from these portfolios are very rare.

Financial assets that are held-for-trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse loans); and
- features that modify consideration of the time value of money (e.g., periodical reset of interest rates).

Notes to the Financial Statements

For the Year Ended 31 December 2023

2 Significant accounting policies (continued)

(I) Financial assets and financial liabilities (continued)

(iii) Derecognition

Financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain / loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

Financial liabilities

The Company derecognises a financial liability when the contractual obligations are discharged or cancelled, or expire.

(iii) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Company 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 the case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and mean that the derecognition criteria are not usually met in such cases.

Notes to the Financial Statements

For the Year Ended 31 December 2023

2 Significant accounting policies (continued)

(l) Financial assets and financial liabilities (continued)

(iv) Modifications of financial assets and financial liabilities (continued)

Financial assets (continued)

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining terms of the modified financial liability by re computing the effective interest rate on the instrument.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

For the Year Ended 31 December 2023

2 Significant accounting policies (continued)

(I) Financial assets and financial liabilities (continued)

(vi) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of the instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument or initial recognition is normally the transaction price- i.e., the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The fair value of a financial liability with a demand feature (e.g., a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Company recognises transfers between levels of the value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Impairment

The Company recognises the loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued;
- loan commitment issued; and
- no impairment loss is recognised on equity investments.

Notes to the Financial Statements

For the Year Ended 31 December 2023

2 Significant accounting policies (continued)

(I) Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

The Company measures loss allowances at an equal to lifetime ECL, except for the following, for which they are measured as 12-months ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company does not apply the low credit risk exemption to any other financial instruments.

12-month ECL is a portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12-months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which a lifetime ECL are recognised and are not credit impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

(viii) Measurement of ECL

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

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

When discounting future cash flows, the original effective interest rate or an approximation thereof is used.

Notes to the Financial Statements

For the Year Ended 31 December 2023

3 Changes in accounting policies and disclosures

(a) **New and amended standards, and interpretations mandatory for the first time for the financial year ended 31 December 2023**

- IFRS 17, Insurance Contracts
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction
- Amendment to IAS 12 - International tax reform

These changes did not have any material impact on the Company.

(b) **New standards, amendments and interpretations issued but not effective for the financial year ended 31 December 2023 and not early adopted**

- Amendment to IFRS 16 – Leases on sale and leaseback
- Amendment to IAS 1 – Non-current liabilities with covenants
- Amendment to IAS 7 and IFRS 7 - Supplier finance
- Amendments to IAS 21 - Lack of Exchangeability

New IFRS sustainability disclosure standards effective after 1 January 2024

- IFRS S1, 'General requirements for disclosure of sustainability-related financial information'
- IFRS S2, 'Climate-related disclosures'

The Company has conducted investigations and does not consider that there are any measurement or recognition issues arising from the release of these new pronouncements that will have a significant impact on the reported financial position or financial performance of the Company

4 Interest income

	2023	2022
	PGK	PGK
Interest income from loans and advances to customers	53,955,909	52,812,772

5 Interest expenses and other related charges

Interest expense on deposits from customers	1,594,366	2,241,556
Interest expense on borrowing	75,000	132,480
Account opening cost	645,602	528,704
	2,314,968	2,902,740

6 Fees and commission income

Account services	6,225,114	6,145,104
Transactional	1,665,298	1,568,589
Penalty	732,220	893,213
	8,622,632	8,606,906

7 Investment income

Interest income on investments held with Central Bank	1,487,514	1,760,599
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Notes to the Financial Statements

For the Year Ended 31 December 2023

8 Other operating income

	2023 PGK	2022 PGK
Grants and donations received	445,598	-
Gain from the sale of assets	88,000	146,000
Cheques dishonoured charges	6,400	9,920
Other income	457,550	385,850
	997,548	541,770

9 Expenses

(a) Personnel expenses

Salaries and wages	14,336,595	12,881,234
Travel and accommodation	687,263	523,788
Directors' fees	446,341	475,114
Staff training	427,377	254,118
Other staff benefits	90,007	80,948
	15,987,583	14,215,202

(b) Operating expenses

Commission expense	3,024,930	927,934
Telephone and internet	2,762,927	2,204,185
Occupancy costs	1,332,799	758,382
Security costs	1,217,649	1,101,610
Office expenses	957,150	1,209,155
Repairs and maintenance	892,071	892,957
Fees and registration	671,664	463,600
Insurance	674,721	647,290
Advertising and promotions	771,751	771,755
Non-lending losses	743,648	320,879
Audit fees	263,542	213,312
Subscriptions	64,751	89,979
Recruitment	22,354	48,501
Other expenses	601,599	2,278,956
PML goodwill write-off	-	1,616,973
	14,001,556	13,545,468

Notes to the Financial Statements

For the Year Ended 31 December 2023

10 Cash and cash equivalents

	2023 PGK	2022 PGK
Cash at bank	39,521,305	28,929,710
Cash on hand	1,088,045	1,027,853
	40,609,350	29,957,563

11 Investments held with Central Bank

Investments at amortized cost	54,410,000	49,780,000
Unearned interest	(531,165)	(446,251)
	53,878,835	49,333,749

12 Loans and advances to customers

Loans and advances to customers	99,554,888	90,454,978
Less: Allowances for impairment losses	(12,815,424)	(15,689,877)
	86,739,464	74,765,101

The lifetime expected loss provision for loans and advances to customers is as follows:

	Stage 1 PGK	Stage 2 PGK	Stage 3 PGK	Total PGK
31 December 2023				
Expected loss rate	0.69%	1.23%	60.42%	
Gross carrying amount	75,347,700	3,936,578	20,270,610	99,554,888
Loss provision	520,088	48,440	12,246,896	12,815,424
31 December 2022				
Expected loss rate	0.75%	1.63%	60.09%	
Gross carrying amount	62,088,448	3,116,838	25,249,692	90,454,978
Loss provision	467,124	50,924	15,171,829	15,689,877

Impairment allowance for loans and advance to customers

A reconciliation of the provision for impairment losses for loans and advances to customers is as follows:

Balance at 1 January	15,689,877	12,978,301
Provisions for losses on loans and advances to customer	10,748,080	15,873,257
Loans written off	(13,622,533)	(13,161,681)
Balance at 31 December	12,815,424	15,689,877

Notes to the Financial Statements

For the Year Ended 31 December 2023

13 Other assets

	2023 PGK	2022 PGK
Interest receivable	330,094	62,629
Prepayments	748,735	586,906
Staff advances	50,425	28,536
Digicel Cellmoni Wallet	719,453	3,295,819
Reimbursement cost	283,020	-
Interest withholding tax	273,593	273,593
Rental deposits	360,442	382,207
Sundry debtors	157,234	368,786
	2,922,996	4,998,476

14 Income tax expense

Current tax	5,319,747	2,328,913
Deferred tax	197,556	(842,043)
	5,517,303	1,486,870

Income before tax	18,305,505	12,909,993
Income tax expense calculated at 30% (2022: 30%)	5,491,652	3,872,998
Permanent difference	25,651	507,285
Utilisation of previously unrecognized tax losses	-	(2,893,413)
	5,517,303	1,486,870

Deferred tax movement

Opening balance	4,616,850	6,103,720
Net movement for the year	(1,598,899)	(1,486,870)
	3,017,951	4,616,850

Deferred tax balances comprise the tax effect of:

Tax losses	-	1,401,343
Provision for impairment losses	1,712,320	2,008,061
Employee benefit provisions	573,037	530,112
Other provisions / accruals	79,061	63,994
Fixed assets	768,035	684,438
Lease liability	970,859	1,473,507
Arising from business combination	(8,892)	(17,131)
Prepayments	(197,585)	(147,818)
Right-of-use assets	(878,884)	(1,379,656)
	3,017,951	4,616,850

Notes to the Financial Statements

For the Year Ended 31 December 2023

14 Income tax expense (continued)

	2023 PGK	2022 PGK
Provision for income tax		
Balance at 1 January	-	-
Add: Current income taxes	5,319,747	-
Less: Utilisation of carry-forward losses	(1,401,343)	-
Balance as at 31 December	3,918,404	-

15 Deposits from customers

Demand deposits	95,815,814	84,813,322
Term deposits	35,034,814	41,479,861
	130,850,628	126,293,183

16 Other liabilities

Accrued interest	244,897	650,514
Withholding tax payable	548,976	549,927
Accrued expenses	1,677,197	833,005
Sundry payables	2,402,861	3,069,267
Funds guaranteed on behalf of others	2,711,511	1,071,510
	7,585,442	6,174,223

There is no interest charged on payables.

Funds guaranteed on behalf of others represent funds held as collateral for loans disbursed under arrangements with various statutory bodies and district councils.

17 Provisions

Provision for annual leave	241,954	132,465
Provision for long service leave	1,668,169	1,634,576
	1,910,123	1,767,041

18 Borrowings

PNGSDP agreed to convert K4,000,000 of its term deposits held with PNG Microfinance Limited (PML) to a subordinated debt due from MiBank. The subordinated loan has a term of 60 months (original term was 30 months) from the Share Transfer Deed dated on 31 January 2020, with 1.25% interest annually. The carrying amount of the subordinated debt as at 31 December 2023 amounted to K3,970,360 (2022: K3,942,898).

Notes to the Financial Statements

For the Year Ended 31 December 2023

19 Property, plant and equipment

	Leasehold Improvements PGK	Furniture, Fixtures and Fittings PGK	Motor Vehicles PGK	Computer Equipment PGK	Capital Work in Progress PGK	Total PGK
Cost						
At 1 January 2022	5,171,855	744,866	3,290,260	7,034,929	103,977	16,345,887
Additions	3,590	15,395	664,679	533,375	105,653	1,322,692
Disposals	-	-	(469,427)	-	-	(469,427)
At 31 December 2022 / 1 January 2023	5,175,445	760,261	3,485,512	7,568,304	209,630	17,199,152
Additions	-	-	756,231	408,537	-	1,164,768
Disposals	-	-	(208,611)	-	-	(208,611)
At 31 December 2023	5,175,445	760,261	4,033,132	7,976,841	209,630	18,155,309
Accumulated depreciation						
At 1 January 2022	(2,448,912)	(690,779)	(1,888,889)	(5,973,947)	-	(11,002,527)
Depreciation for the year	(816,869)	(25,632)	(523,485)	(565,933)	-	(1,931,919)
Disposals	-	-	469,427	-	-	469,427
At 31 December 2022 / 1 January 2023	(3,265,781)	(716,411)	(1,942,947)	(6,539,880)	-	(12,465,019)
Depreciation for the year	(727,863)	(14,798)	(654,616)	(424,785)	-	(1,822,062)
Disposals	-	-	208,611	-	-	208,611
At 31 December 2023	(3,993,644)	(731,209)	(2,388,952)	(6,964,665)	-	(14,078,470)
Carrying value at 31 December 2022	1,909,664	43,850	1,542,565	1,028,424	209,630	4,734,133
Carrying value at 31 December 2023	1,181,801	29,052	1,644,180	1,012,176	209,630	4,076,839

Notes to the Financial Statements

For the Year Ended 31 December 2023

20 Leases

(a) Leases as lessee

The leases typically run for a period of 5 years, with an option to renew the lease after that date. Lease payments are renegotiated every 5 years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Company is restricted from entering into any sub lease arrangements.

Information about leases for which the Company is a lessee is presented below:

(i) Right-of-use assets

	2023 PGK	2022 PGK
Balance at 1 January	4,598,854	6,615,653
Depreciation for the year	(1,669,240)	(2,016,799)
Balance at 31 December	2,929,614	4,598,854

(ii) Lease liabilities

Balance at 1 January	4,911,689	7,046,350
Accretion of interest	214,609	326,669
Finance cost paid	(214,609)	(326,669)
Repayment	(1,675,491)	(2,134,661)
Balance at 31 December	3,236,198	4,911,689

Undiscounted lease liabilities

Maturity analysis – contractual undiscounted cash flows:

Within one year	1,478,499	1,882,619
Later than one year but not later than two years	1,493,146	2,390,698
Later than two years	633,832	1,149,643
Total undiscounted lease liabilities at 31 December	3,605,477	5,422,960
Unexpired interest on lease liabilities	(369,279)	(511,271)
Balance at 31 December	3,236,198	4,911,689

(iii) Amount recognised in statement of profit or loss and other comprehensive income

Depreciation expense of right-of-use assets	1,669,240	2,016,799
Interest on lease liabilities	214,209	326,669
Short-term leases classified as operating expenses	1,332,799	693,163
Short-term leases classified as personnel expenses	1,158,548	974,530
	4,374,796	4,011,161

(iv) Amounts recognised in statement of cash flows

Total cash outflow for leases	1,890,100	2,461,330
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Notes to the Financial Statements

For the Year Ended 31 December 2023

21 Share capital

Issued share capital		
12,688,506 shares of K1 each fully paid	12,688,506	12,688,506
2,239,148 shares of K1 each fully paid	2,575,020	2,575,020
	15,263,526	15,263,526

22 Capital adequacy

The Company is required to comply with prudential standards issued by the Bank of Papua New Guinea (BPNG), the official authority for the prudential supervision of banks and similar financial institutions in Papua New Guinea. All banks are required to maintain at least the minimum acceptable measure of capital to risk-weighted assets to absorb potential losses. The BPNG follows the prudential guidelines set by the Bank of International Settlements under the terms of the Basel Accord. The BPNG revised prudential standard 1/2003, Capital Adequacy, prescribes ranges of overall capital ratios to measure whether a bank is under, adequately, or well capitalised, and also prescribes the leverage capital ratio. As at 31 December 2023, the Company's total capital adequacy ratio and leverage capital ratio satisfied the capital adequacy criteria. The minimum capital adequacy requirements set out under the standard are: Tier 1 8%, total risk-based capital ratio 12% and the leverage ratio 6%.

The measure of capital used for the purposes of prudential supervision is referred to as base capital. Total base capital varies from the balance of capital shown on the Statement of Financial Position and is made up of tier 1 capital (core) and tier 2 capital (supplementary). Tier 1 capital is obtained by deducting from equity capital and audited retained earnings (or losses), intangible assets including deferred tax assets. Tier 2 capital cannot exceed the amount of tier 1 capital, and can include subordinated loan capital, specified asset revaluation reserves, un-audited profits (or losses) and a small percentage of general loan loss provisions. The leverage capital ratio is calculated as Tier 1 capital divided by total assets on the balance sheet.

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

The Company's capital adequacy level is as follows (unaudited):

	2023	2022
	PGK	PGK
Core capital (K'000)	26,898	13,876
Total capital (K'000)	41,787	27,751
Risk weighted assets (K'000)	104,573	94,883
Tier 1 capital adequacy ratio	25.7%	14.6%
Total capital adequacy ratio	40.0%	29.3%
Leverage capital ratio	14.1%	7.8%

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial risk management

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk is the likelihood of future financial loss resulting the failure of clients or counter-parties to meet contractual obligations to the Company as they fall due. Credit risk is managed by analysing risk spread across various sectors of the economy. The Credit Committee is responsible for the development and implementation of credit policy and loan portfolio review methodology.

(i) Credit quality analysis

The following table set out information about the overdue status of loans and advances to customers in stages.

Loans and advances to customers at amortised cost-gross carrying amount.

2023				
	Stage 1 PGK	Stage 2 PGK	Stage 3 PGK	Total PGK
Current	59,830,773	293,562	-	60,124,335
Overdue < 30 days	15,516,927	-	-	15,516,927
30 to 90 days	-	3,643,016	-	3,643,016
More than 90 days	-	-	20,270,610	20,270,610
	75,347,700	3,936,578	20,270,610	99,554,888
2022				
	Stage 1 PGK	Stage 2 PGK	Stage 3 PGK	Total PGK
Current	51,763,641	231,792	-	51,995,433
Overdue < 30 days	10,324,807	68,678	-	10,393,485
30 to 90 days	-	2,816,368	-	2,816,368
More than 90 days	-	-	25,249,692	25,249,692
	62,088,448	3,116,838	25,249,692	90,454,978

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial risk management (continued)

(a) Credit risk (continued)

(i) Credit quality analysis (continued)

The loss allowance recognised in the year is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Net financial assets originated, which includes additional allowances for new financial instruments recognised during the period, net of releases for financial instruments de-recognised in the period; and
- Movement in risk parameters and other changes arising from regular refreshing of inputs to models, and other movements.

Breakdown of exposure at default and impairment provision in stages is set out in the table below:

EAD - Loans and receivables from customers	Stage 1 PGK	Stage 2 PGK	Stage 3 PGK	Total PGK
At 1 January 2023	62,088,448	3,116,838	25,249,692	90,454,978
Transfers:				
Transfer from Stage 1 to Stage 2	(1,019,398)	1,019,398	-	-
Transfer from Stage 1 to Stage 3	(1,514,074)	-	1,514,074	-
Transfer from Stage 2 to Stage 3	-	(374,959)	374,959	-
Transfer from Stage 2 to Stage 1	319,768	(319,768)	-	-
Transfer from Stage 3 to Stage 2	-	95,202	(95,202)	-
Transfer from Stage 3 to Stage 1	169,145	-	(169,145)	-
New financial assets originated, net of repayment	15,303,811	399,867	(6,603,768)	9,099,910
Total movement in EAD during 2023	13,259,252	819,740	(4,979,082)	9,099,910
At 31 December 2023	75,347,700	3,936,578	20,270,610	99,554,888

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial risk management (continued)

(a) Credit risk (continued)

(i) Credit quality analysis (continued)

ECL - Loans and receivables from customers

At 1 January 2023

Transfers:

Transfer from Stage 1 to Stage 2

Transfer from Stage 1 to Stage 3

Transfer from Stage 2 to Stage 3

Transfer from Stage 2 to Stage 3

Transfer from Stage 3 to Stage 2

Transfer from Stage 3 to Stage 1

Movements due to risk parameter and other changes

Net financial assets originated

Loans written-off

At 31 December 2023

Stage 1 PGK	Stage 2 PGK	Stage 3 PGK	Total PGK
467,124	50,924	15,171,829	15,689,877
(16,218)	16,218	-	-
(533,502)	-	533,502	-
-	(125,984)	125,984	-
3,084	(3,084)	-	-
-	1,994	(1,994)	-
1,632	-	(1,632)	-
185,162	110,214	(69,549)	225,827
444,371	29,023	278,509	751,903
(31,565)	(30,865)	(3,789,753)	(3,852,183)
520,088	48,440	12,246,896	12,815,424

EAD - Loans and receivables from customers

At 1 January 2022

Transfers:

Transfer from Stage 1 to Stage 2

Transfer from Stage 1 to Stage 3

Transfer from Stage 2 to Stage 3

Transfer from Stage 2 to Stage 1

Transfer from Stage 3 to Stage 2

Transfer from Stage 3 to Stage 1

New financial assets originated, net of repayment

Total movement in EAD during 2022

At 31 December 2022

Stage 1 PGK	Stage 2 PGK	Stage 3 PGK	Total PGK
57,128,126	3,033,138	27,735,112	87,896,376
(1,828,577)	1,828,577	-	-
(2,382,581)	-	2,382,581	-
-	(426,842)	426,842	-
594,803	(594,803)	-	-
-	308,671	(308,671)	-
407,176	-	(407,176)	-
8,169,501	(1,031,903)	(4,578,996)	2,558,602
4,960,322	83,700	(2,485,420)	2,558,602
62,088,448	3,116,838	25,249,692	90,454,978

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial risk management (continued)

(a) Credit risk (continued)

(i) Credit quality analysis (continued)

ECL - Loans and receivables from customers	Stage 1 PGK	Stage 2 PGK	Stage 3 PGK	Total PGK
At 1 January 2022	249,321	44,295	12,684,685	12,978,301
Transfers:				
Transfer from Stage 1 to Stage 2	(7,057)	7,057	-	-
Transfer from Stage 1 to Stage 3	(12,195)	-	12,195	-
Transfer from Stage 2 to Stage 3	-	(3,873)	3,873	-
Transfer from Stage 2 to Stage 3	10,196	(10,196)	-	-
Transfer from Stage 3 to Stage 2	-	33,136	(33,136)	-
Transfer from Stage 3 to Stage 1	91,813	-	(91,813)	-
Movements due to risk parameter and other changes	(108,592)	(17,580)	4,064,200	3,938,028
Net financial assets originated	256,658	23,280	11,655,291	11,935,229
Loans written-off	(13,020)	(25,195)	(13,123,466)	(13,161,681)
At 31 December 2022	467,124	50,924	15,171,829	15,689,877

The general creditworthiness of a customer tends to be the most relevant indicator for credit quality of a loan extended to it. However, collateral provides additional security and the Company generally requests that borrowers provide it. The Company may take collateral in the form of deposits.

	2023		2022	
	Carrying amount PGK	Collateral PGK	Carrying amount PGK	Collateral PGK
Stage 1 and 2	79,284,278	27,918,707	65,205,286	17,119,553
Stage 3	20,270,610	17,661,134	25,249,692	21,172,183
	99,554,888	45,579,841	90,454,978	38,291,736

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Allowance for Expected Credit Losses

Significant increase in credit risk

When determining whether the risk of default on the financial instrument has increased significantly since initial recognition, the Company considers reasonable and supporting information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and forward-looking information. The objective of the assessment is to identify whether there has been a significant increase in credit risk and if so, the change in the remaining lifetime probability of default (PD) compared to the PD at initial recognition.

The Company uses three criteria for determining whether there has been a significant increase in credit risk:

- a quantitative test based on movement in PD
- qualitative indicators; and
- a backstop of 30 days past due.

Definition of default

The Company considers a financial asset to be a default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to action such as realising security;
- the borrower is more than 90 days past due on any material credit obligation to the Company. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations;
- in assessing whether a borrower is in default, the Company considers indicators that are:
 - qualitative: e.g., breaches of covenant;
 - quantitative: e.g., overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is a default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Allowance for Expected Credit Losses (continued)

Large credit exposure

Large credit exposures ("LCE") are monitored as part of credit risk management. These are the top 25 loan relationships or loan balances of the Company. As at 31 December, details of LCE are as follows:

	2023	2022
	PGK	PGK
Top 25 LCE	4,780,316	4,598,163
Percentage of LCE to total loans before provision	4.8%	5.1%
Percentage of LCE to total capital base	11.4%	15.4%

Incorporation of forward-looking information

The Company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Company formulates three economic scenarios: a base case, which is the central scenario developed internally based on consensus forecasts, and two less likely scenarios, one upside, which is the modest improvement on the base case scenario and one downside scenario, which represents a moderate recession. The central scenario is aligned with information used by the Company for other purposes such as strategic planning and budgeting.

	2023			2022		
	Upside	Central	Downside	Upside	Central	Downside
Scenario probability weighting	10%	70%	20%	10%	70%	20%

Sensitivity analysis

The ECL are sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how much scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL by considering impact of their possible changes in different scenarios. Set out below are the changes to the ECL as at 31 December 2023:

- If weight of upside scenario remained at 10%, downside scenario increased from 20% to 40% and base scenario decreased from 70% to 50%, impairment provision would increase by K466,277 (2022: K608,473).
- If weight of upside scenario decreased from 10% to 0%, downside scenario increased from 20% to 30% and base scenario increased remained at 70%, impairment provision would increase by K298,514 (2022: K414,093).

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Allowance for Expected Credit Losses (continued)

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD.

PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation.

EAD is based on the amounts the Company expected to be owed at the time of default, over the next 12 months or over the remaining lifetime.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

(iii) Write off policy

The Company may consider write off of loan receivables following default which is 90 days in arrears. Loans in arrears in excess of 360 days (unless collection is in process) are in normal process written off, as well as other financial assets, which are overdue less than 360 days, if the Company assesses that there is no reasonable expectation of their recovery (i.e., that recovery of full amounts is not probable). Indicators that there is no reasonable expectation of recovery include (i) loans being overdue more than 360 days; (ii) low likelihood of successful enforcement activity; and (iii) where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Company may write-off financial assets that are still subject to enforcement activity. The Company still seeks to recover amounts it is legally owed in full, but which have been written off due to no reasonable expectation of fully recovery.

Recoveries of amounts previously written off are recognised when cash is received and are included in impairment losses on 'financial instruments' in the statement of profit or loss and other comprehensive income.

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial risk management (continued)

(a) Credit risk (continued)

(iv) Modification of financial assets

The Company may modify the terms of loans through re-scheduling through commercial renegotiations, for distressed loans, with a view to assisting a borrower under stress and/or maximizing recovery. The Company's practice is not to use renegotiation and/ or restructuring of loans and advances to customers in managing credit risk. During this period, the Company primarily relied on its monitoring and collection activities, including regular communication with overdue customers, as well as enforcement activities in case of collateralized loans. In accordance with its business model, in case of defaulted loans, the Company ensured that sufficient impairment provision is created, and necessary write offs made in accordance with its write off policy, as these losses were compensated by the Company's interest rate margin. Therefore, the Company had no modified financial assets as at 31 December 2023 (2022:Nil) and there were no cases of modification of loans during the year that would result either in derecognition of loans or recognition of gain or loss on modification.

(v) Collateral and other credit enhancements

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The Company has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The collateral comes in various forms. The principal collateral types for loans and advances are:

- Cash deposits
- Fixed assets such as vehicles and other property
- Mortgages over residential properties

The Company prepares a valuation of the collateral obtained as part of the loan origination process.

The Company's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Company since the prior period.

The Company closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely the Company will take possessions of collateral to mitigate potential credit losses.

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. The Board, sets liquidity policy to ensure that the Company has sufficient funds to meets all its known and potential obligations.

Short-term mismatch of asset and liability maturity

The maturity profile of material Assets and Liabilities is shown in the following schedule. The mismatching of maturity of assets and liabilities indicates an apparent negative net "current" asset position. However, mismatched positions are established and managed to achieve profit opportunities that arise from them, particularly in a normal yield curve environment. Accordingly, this mismatched maturity position is considered manageable by the Company, and does not impair the ability of the Company to meet its financial obligations as they fall due.

(i) Maturity analysis for financial liabilities and financial assets

31 December 2023	Less than 12 months	1-2 years	2+ years	Total
Cash and cash equivalents	40,609,350	-	-	40,609,350
Investments held with Central bank	53,378,835	500,000	-	53,878,835
Loans and advances to customers	36,182,583	43,448,505	19,923,800	99,554,888
Other financial assets	1,206,780	-	-	1,206,780
	131,377,548	43,948,505	19,923,800	195,249,853
Deposits from customers	130,850,628	-	-	130,850,628
Other financial liabilities	6,895,622	-	-	6,895,622
Lease liabilities	1,478,499	1,493,146	633,832	3,605,477
Borrowings	-	3,970,360	-	3,970,360
	139,224,749	5,463,506	633,832	145,322,087
31 December 2022	Less than 12 months	1-2 years	2+ years	Total
Cash and cash equivalents	29,957,563	-	-	29,957,563
Investments held with Central bank	48,833,749	-	500,000	49,333,749
Loans and advances to customers	30,238,259	40,903,635	19,313,084	90,454,978
Other financial assets	3,557,885	-	-	3,557,885
	112,587,456	40,903,635	19,813,084	173,304,175
Deposits from customers	126,293,183	-	-	126,293,183
Other financial liabilities	4,431,694	-	-	4,431,694
Lease liabilities	1,882,619	2,390,698	1,149,643	5,422,960
Borrowings	-	-	3,942,898	3,942,898
	132,607,496	2,390,698	5,092,541	140,090,735

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial risk management (continued)

(b) Liquidity risk (continued)

(ii) Fair value measurements

As at reporting date the carrying value of the financial instruments approximated their fair value. The fair value of long-term financial assets and liabilities are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar instruments.

(c) Operational risk

Operational risk is the potential exposure to unexpected financial or non-financial losses arising from the way in which the Company conducts its business. Operational risk is managed through formal policies, documented procedures, business practices and compliance monitoring.

(d) Capital risk

The Company manages its capital through profit maximisation in order to provide a return to its shareholders. The Company accepts deposits as a means of funding its lending activities. Excess funds are traded into short term financial market instruments such as treasury bills and Central Bank bills.

(e) Market risk

(i) Currency risk

Transactions in foreign currencies are insignificant and therefore exposure of the Company to the fluctuation in foreign exchange rates is minimal.

(ii) Price risk

The Company is not exposed to significant equity securities price risk arising as it has no equity securities.

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial risk management (continued)

(e) Market risk (continued)

(iii) Interest rate risk

Interest rate risk in the statement of financial position arises from the potential for a change in interest rate to have an adverse effect on the revenue earnings in the current reporting period and future years. As interest rates and yield curves change over time, the Company may be exposed to a loss in earnings due to the effects of interest rates on the structure of the statement of financial position. Sensitivity to interest rates arises from mismatches in the re-pricing dates, cash flows and other characteristics of the assets and their corresponding liability funding.

These mismatches arise mainly in the short-term interest rate repricing bucket as the Company does not offer longer-term Kina fixed rate products. There are also no interest rate derivative products in the local market to facilitate the close-out of this interest rate risk mismatch. The interest rate risk is actively managed as part of the overall interest rate risk management process governed by the Board, which meets regularly to review the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows of the Company. The objective of interest rate risk control is to minimise these fluctuations in value and net interest income over time, providing secure and stable sustainable net interest earnings in the long term.

The table below illustrates the interest sensitivity of financial assets and liabilities at the balance date. Given the profile of assets and liabilities as at 31 December 2023, 1% (2022: 1%) increase or decrease in rates will impact the Company's net interest income as follows:

	Outstanding balance PGK	Changes in interest rates	Effect on net interest income PGK
31 December 2023			
Cash and cash equivalents	40,609,350		
Investments held with Central bank	53,878,835		
Loans and advances to customers	86,739,464		
	181,227,649	+/-1%	1,812,276
31 December 2022			
Cash and cash equivalents	29,957,563		
Investments held with Central bank	49,333,749		
Loans and advances to customers	74,765,101		
	154,056,413	+/-1%	1,540,564

Notes to the Financial Statements

For the Year Ended 31 December 2023

24 Related parties

(a) Related party register

The following details are recorded in the interest register:

Name	Nature of interest	Company
Peter John Aitsi	Chairman & Director Director Executive Director	PNG FM Limited Steamships Trading Company Limited OM Holdings Ltd (OilMin)
Jason Robert McIlvena	Chairman Director	AON Master Trust Ltd. Kwila Corporation Ltd.
Paul Mcvincent Nindipa	Director Director Director	NKA Accountants Allhambra Limited Matthew Gollan Design and Development (PNG) Limited
Wavie Ruth Anne Kendino	Managing Partner	Dentons PNG
Arthur Vera	Director Director	Asia Pacific Communication Specialist Ltd. Bakerite Limited

(b) Directors' remuneration

	2023 PGK	2022 PGK
Peter John Aitsi	90,500	73,500
Allan Marlin (retired on 5 April 2022)	-	52,500
Jason Robert McIlvena	67,725	63,000
Paul Mcvincent Nindipa	67,725	63,000
Carol Kidu (retired on 20 May 2022)	-	15,750
Wavie Ruth Anne Kendino	67,725	63,000
Arthur Vera	67,725	63,000
	361,400	393,750

(c) Loans to related parties

Loans to related parties is comprise of staff loans. These short-term loans are provided at marginal discounts on interest rates and specific fee concessions. These benefits are mainly percentage-based on market rates and fees which subject to underlying market trends. As at 31 December 2022, staff account balances were as follows:

Staff loans	4,178,792	3,618,087
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(d) Compensation of key management personnel

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Short-term benefits	3,101,056	2,886,387
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Notes to the Financial Statements

For the Year Ended 31 December 2023

25 Contingent liabilities

A number of legal proceedings against the Company were outstanding as at 31 December 2023. For all litigation exposure where a loss is probable, an appropriate provision has been made. Based on information available at 31 December 2023, the Company estimates a contingent liability of K1,933,043 (2022: K2,020,626) in respect of these proceedings.

26 Capital expenditure commitments

There are no material capital commitments as at 31 December 2023 (2022: Nil).

27 Events after the reporting period

There has been no other transactions or events of a material and unusual nature between the end of reporting period and date of the report likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or state of the Company in future years.